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UNIVERSITY OF ALBERTA

THE "EQUALITY OF PUPPIES": THE DISPARATE EFFECTS OF IMF  
DEVELOPMENT APPLICATION ON DEVELOPING COUNTRY WOMEN

BY

JANE LEE SABER



A thesis submitted to the Faculty of Graduate Studies and Research in partial  
fulfilment of the requirements for the degree of Master of Laws

FACULTY OF LAW

Edmonton, Alberta

Spring, 1996





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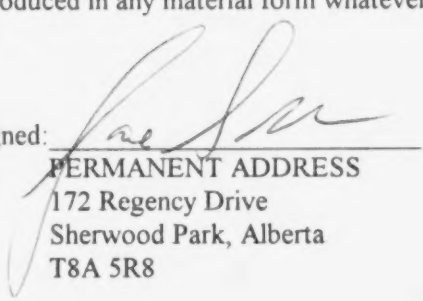
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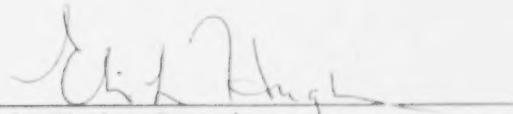
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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and research for acceptance, a thesis entitled THE "EQUALITY OF PUPPIES": THE DISPARATE EFFECTS OF IMF DEVELOPMENT APPLICATION ON DEVELOPING COUNTRY WOMEN submitted by JANE LEE SABER in partial fulfilment of the requirements for the degree of MASTER OF LAWS.

  
Elaine Hughes, Supervisor  
Linda Reif  
Gurston Dacks

Dated this 5<sup>th</sup> day of January, 1996.

## DEDICATION

*This work is dedicated to my family:*

*Jacqueline, Joan, Dorothy, Ross and Ron.*

## ABSTRACT

Women in developing countries are disparately affected by the International Monetary Fund's (IMF) application of conditionality in their countries. This effect occurs because the IMF bases its policies, procedures and programmes on the paradigms contained within the science of economics, as employed by contemporary society. As a result, the IMF concerns itself with the attainment of numerical prosperity, rather than the fulfilment of the basic needs of the poor, and specifically, poor women.

Not only is the IMF generally unsuccessful at achieving improved economic wealth in developing countries, but its presence in developing countries also produces social and political problems. The balance of these problems fall on the shoulders of poor women. They are disproportionately affected by IMF conditionality programmes.

In this treatise, it will be shown how the contemporary notions of economics and development do not address the needs of women, and how the IMF, in its application of these notions creates disproportionately deleterious effects for women. Variable time frame recommendations are made to alleviate these consequences. Change is imperative to prevent the continued pauperization of women in developing countries.

## ACKNOWLEDGMENT

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## Chapter One

Poverty has been defined as "the lack of resources for a reasonably comfortable living"<sup>1</sup>.

Many people live in poverty:

The real poor, those who suffer from malnutrition and who have an annual income of less than \$50 (700 million in 1972), live mainly in the rural areas and 70 percent of these are in Asia. These are the small-holding peasants, the sharecroppers, the landless peasants and the temporary farm workers. In eight Asiatic countries, poverty is increasing and in seven of those, the proportion of the population living under the poverty threshold was greater in 1980 than in 1970; 78 percent in Bangladesh, where the proportion of the poorest was multiplied by five. In Latin America, 90.8 million, that is, 58 percent of the population live below the poverty threshold. In Africa, even though data are harder to come by, they lead to the same conclusion: 51 percent of the population in northern Nigeria, 88 percent in Kenya and Tanzania and 91 percent in Lesotho are poor.<sup>2</sup>

Although poverty is not exclusive to developing countries<sup>3</sup>, a multitude of the poor live there<sup>4</sup>. This is because the developing countries, themselves, are poor<sup>5</sup>. For example, on a purely financial basis, by January, 1993, developing countries owed over \$700 Billion US

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<sup>1</sup>David B. Guralnik, ed. in ch., *Webster's New World Dictionary of the American Language*, 2d ed. (New York: Simon and Shuster, 1984) at 1116.

<sup>2</sup>Jeanne Bisilliat & Michele Fieloux, *Women of the Third World, Work and Daily Life* (London: Associated University Presses, 1987) at 13-14.

<sup>3</sup>Developed countries, too, have poor populations. See, for example, Paul Kennedy, *Preparing for the Twenty-First Century* (Toronto: HarperCollins Publishers, 1993) at 290-328.

<sup>4</sup>Martin Honeywell, "The World Debt Crisis", Martin Honeywell, ed., *The Poverty Brokers, The IMF and Latin America* (London: Latin America Bureau, 1986) 1 at 2.

<sup>5</sup>Susan George, *How the Other Half Dies: The Real Reasons for World Hunger* (New York: Penguin Books, 1976) at 5.

dollars, to various sources<sup>6</sup>. This means that seventy percent of the total funds available to private banks<sup>7</sup> is consumed by developing country debt.

This situation is continuing to deteriorate. In 1984, developing country total debt was estimated at \$895 Billion US dollars<sup>8</sup>. Net transfers of resources to developing countries went from \$39.4 Billion US dollars in 1980 to *negative* \$31.0 Billion US dollars in 1985<sup>9</sup>. Thus, instead of resource transfers *to* developing countries, funds were actually being transferred *away* from these countries. Clearly, poor developing countries are continuing to descend into financial ruin<sup>10</sup>.

Why are developing countries so poor? One major reason<sup>11</sup> is that contemporary notions of development are inappropriate to promote the two goals of financial and human growth. In particular, notions of development<sup>12</sup>, as defined by the white, Western patriarchy, are inappropriate for the realities faced by developing countries and their

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<sup>6</sup>Honeywell *supra* note 4 at 3.

<sup>7</sup>*Ibid.*

<sup>8</sup>Peter Korner *et al.*, *The IMF and the Debt Crisis, A Guide to the Third World's Dilemma* (London: Zed Books, 1986) at 5.

<sup>9</sup>Honeywell *supra* note 4, at 2-3.

<sup>10</sup>As defined by contemporary economic theorists, Korner, *supra* note 8 at 26.

<sup>11</sup>The discussion of this thesis will be limited to this point, although it is recognized that there may be other reasons for developing country poverty. See *ibid.* at 20-42.

<sup>12</sup>Combined with notions of poverty, and notions of social organization in developing countries. See Chapter Two.

peoples, and actually contribute to increased indebtedness.

Specifically, contemporary notions of development focus on the measurement of economic development, using indicators such as Gross National Product, (GNP), Gross Domestic Product, (GDP), balance-of-payments, and others. This system of measurement is known as the "neoclassical monetarist model". This model assumes that development can be numerically measured by the consideration of developing country balance sheets. Specifically, this model does not consider distributional effects on developing country populations, and thus does not concern itself with meeting the basic needs for the poor. Since the poor are often the majority of the population in developing countries, this model does not consider the needs of most of the population. Contemporary development principles have inappropriately emphasized monetary indices, to the detriment of the survival of the poor.

Poverty continues to increase because the "neoclassical monetarist model" is used extensively by many institutions which interact with developing countries. In particular, the International Monetary Fund, (IMF), is an example of an institution applying contemporary development principles to developing countries. In applying these notions, the IMF seeks to increase monetary prosperity. Unfortunately, because of the inappropriate assumptions inherent in contemporary development principles, the vast majority of attempts at achieving economic abundance for developing countries have failed. More importantly, there are also other significant negative consequences that arise

as a result of this IMF application of development, which will be examined in this treatise.

Although, clearly, IMF involvement in developing countries is not the primary reason that poverty exists there, the IMF, in applying the contemporary notions of development, adds to the impoverishment of developing country peoples. The IMF, thus, serves as an excellent example of the consequences arising from the application of inappropriate development principles.

The increased impoverishment stemming from IMF involvement affects poor, developing country women, as a group, more than men. To begin with, it must be recognized that women in developing countries are "the poorest of the poor"<sup>13</sup>. Statistics show:

Women currently comprise the majority of the world's poor: among the estimated 1.2 billion people living in extreme poverty within undeveloped countries, 59 percent are female. Two-thirds of the illiterate are women; in 17 countries 90 percent or more of the female population is illiterate. Eighty percent of all refugees are women and their dependent children.<sup>14</sup>

Specifically, of the twelve thousand people that die each year due to malnutrition, many are women and female children<sup>15</sup>. Two thirds of developing country women suffer from anaemia and malnutrition<sup>16</sup>. Further, over one billion people have diets deficient in

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<sup>13</sup>Mayra Buvinic & Sally Yudelman, *Women, Poverty and Progress in the Third World* (New York: Headline Series, 1989) at 15.

<sup>14</sup>Kathy McAfee, "What is Development" (1991-1992) 4 *Oxfam America News* 6 at 8.

<sup>15</sup>*Ibid.* at 19.

<sup>16</sup>*Ibid.*

calories by 550 to 750 calories, daily, and most of these are females<sup>17</sup>. Using the example of the IMF, it will be shown how the application of contemporary development principles in developing countries intensifies the disparate pauperization of women<sup>18</sup>.

Thus, the underlying hypothesis of this thesis is that women in developing countries are disparately disenfranchised because of the contemporary application of inappropriate notions of development<sup>19</sup>. The proof of this hypothesis begins in Chapter Two. In this Chapter, the foundation of contemporary notions of development are examined. First, an analysis of the historical origins of modern development theory is undertaken. It will be shown that current notions of development are founded on the reductionist principles of the scientific method, of which various criticisms will be made. The IMF will be introduced as an example of how these reductionist development principles are applied in developing countries, to the detriment of poor women in those countries.

Chapter Three will present the specific details on the IMF's structure, operations and policies, with respect to the IMF's interaction with developing countries. It will show how developing countries, in critical need of funding, approach the IMF for resources. The IMF will agree to provide this funding, if the requesting country agrees to certain

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<sup>17</sup>See George, *supra* note 5 at 21.

<sup>18</sup>V. Shiva & M. Mies, *Ecofeminism* (London: Zed Books, 1993).

<sup>19</sup>See generally, Vandana Shiva and Maria Mies, "Women's Indigenous Knowledge and Biodiversity Conservation", in *supra* note 18 164 at 177. Here, Shiva states, "Worldwide, women comprise the largest population living in poverty."



terms and conditions of financing. This requirement is known as 'conditionality'.

Next, Chapter Four will review the empirical studies that demonstrate what economic effects occur as a result of the IMF's application of conditionality. Even on a purely economic basis, the policies and procedures mandated by the IMF are not likely to significantly improve the economic circumstances of developing countries. Further, Chapter Five will describe the deleterious social and political effects that IMF conditionality has on 'borrowing' developing countries. It will be shown that there are clearly undesirable consequences that arise from IMF involvement in these countries.

Chapter Six presents how the IMF policies and procedures disparately affect women in developing countries. Because of their initial poverty, the historical biases against women, and other factors, women are disenfranchised more than men, once IMF programmes are instituted in developing countries.

Finally, Chapter Seven will recommend steps that may be taken to alleviate the disenfranchisement of women in developing countries that results from the inappropriate development principles, particularly as applied by the IMF. These recommendations will include short, medium and long term solutions, which may be implemented in whole, in part, or any in combination thereof. In this Chapter, it will be concluded that the current principles of development have deleterious gender biased effects for poor women in developing countries. Using the IMF as an example of the modern application of



development principles, it will be shown that this application exacerbates the abject poverty and misery of women in developing countries.

Changes must be made to development principles, institutions, and the international society, to prevent the continued and deepening poverty of developing countries, and in particular, their women. Otherwise, the convictions found in the following quotation may simply continue:

There is no pleasant solution. The fact that in certain countries people die of hunger is not sufficient reason to provide [assistance] . . . *We are in the position of a family who has a litter of puppies; we have to decide which ones will be drowned.* (Clinton P. Anderson, U.S. Secretary of Agriculture in 1946)<sup>20</sup> [Emphasis added].

Because of their gender, poor women in developing countries routinely are the selected 'puppies' which are 'drowned'.<sup>21</sup>

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<sup>20</sup>Buvinic, *supra* note 13 at 18-19.

<sup>21</sup>It must be noted that within developing countries there is a significant differential impact of contemporary development principle application for rich and poor women. However, this subject will not be further considered in this work.

## Chapter Two

The contemporary application of prevailing definitions of development disenfranchises poor women of developing countries. Current notions of development are based on numerical indices, such as GNP, GDP and balance of payments. Human welfare indicators<sup>1</sup> are rarely considered in development analyses<sup>2</sup>. This is because the current development perceptions are based on reductionist scientific principles, which only consider limited segments of information for problem solving. Because of this, the needs of women in developing countries are not specifically addressed by notions of development, causing further disenfranchisement for this group.

This Chapter begins with an analysis of how the sciences, generally, are related to patriarchy. First, a brief historical review will outline the foundations of this relationship. Next, the contemporary notions of science will be examined, showing the reductionist nature of this type of knowledge. This section will end with criticisms of the scientific method.

Following this discussion, the biases against women that exist in contemporary science will be examined. The historical articulation of these biases will first be identified, followed by

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<sup>1</sup>Such as poverty, starvation, fulfilment of basic needs, and quality of life measurements. These measurements will be discussed in Chapters Five and Six.

<sup>2</sup>Naila Kabeer, *Reversed Realities: Gender Hierarchies in Development Thought* (London: Verso, 1994) at 224.

criticisms of these biases. Next, the relationship between science and development will be established. Here, the historical foundations for development will be briefly examined, followed by the identification of the commonly accepted, contemporary definition of development. This section will be followed by criticisms of current theories of development.

Finally, this Chapter will conclude that since development is reductionist, and leads to gender-biased results, it is an inappropriate epistemology to ensure equality for women. The subsequent chapters will describe the specific results of the application of these inappropriate development principles.

### **1. Science and Patriarchy**

Scientific principles and methods evolved from writings and ideologies originating from 'the Age of Reason'<sup>3</sup>. The dominant philosophy of this period was that science was the *only* appropriate method of gathering and using knowledge; knowledge was only acceptable if it was empirical, and based on rigorous scientific observation and experimentation. An observation was only valid if it was measurable<sup>4</sup>.

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<sup>3</sup>See generally Isaiah Berlin, *The Age of Enlightenment* (Chicago: Mentor, 1956) at 102-194.

<sup>4</sup>This style of analysis will hereinafter be referred to as "microscience". Alternative, more holistic styles of analysis, which consider the inter-connectedness of the subjects of analysis will be known as "macroknowledge".

These principles were developed over time, by many philosophers<sup>5</sup>. For example, Aristotle<sup>6</sup> greatly influenced the perceived importance of the scientific method. In essence, he divided the disciplines of learning into "the theoretic, the practical, and the poetic"<sup>7</sup>. According to Aristotle, the sciences were perceived as accounting for "what is *necessary, universal and unchanging*"<sup>8</sup>, and he encouraged the pursuit of the stability of replicable scientific results, compared to the instability of human opinion<sup>9</sup>.

Later, the work of Francis Bacon<sup>10</sup> was also a significant influence in the formation of the scientific method<sup>11</sup>. Bacon encouraged scientific innovation by stressing "the 'innocence'

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<sup>5</sup>It is important to note, at the outset, that there were no influential females or female philosophers that significantly contributed to the initial rise of the power of science.

<sup>6</sup>Aristotle, *The Nicomachean Ethics*, trans. R. W. Browne (London: Henry G. Bohn, 1853) at 4, and Aristotle, *Posterior Analytics*, Bk. II (Cambridge: Harvard University Press, 1968) at 6.

<sup>7</sup>Richard Lombardi, *The Debt Trap, Rethinking the Logic of Development* (New York: Praeger, 1985) at 133-134.

<sup>8</sup>*Ibid.* at 133-137.

<sup>9</sup>*Ibid.*

<sup>10</sup>Francis Bacon, (Baron Verulam, Viscount St. Albans), (1561-1626).

<sup>11</sup>According to Leiss and Shiva; see: William Leiss, *The Domination of Nature* (Montreal: McGill-Queen's University Press, 1994). Leiss's analysis is directed towards an understanding of man's attempt to dominate nature. Specifically, Leiss identifies that Bacon's "greatest achievement was to formulate the concept of human mastery over nature much more clearly than had been done previously and to assign it a prominent place among men's concerns . . . In Bacon's view, religion and science were engaged in a mutual effort to compensate for the damage incurred as a result of the expulsion from Paradise . . . All the subsequent stages of his argument are dependent first on this original distinction between the two different consequences of

of the scientific endeavour<sup>12</sup>”, to coincide with contemporary Christian religious beliefs, which had previously stressed that scientific discovery could “incur the wrath of God<sup>13</sup>.” Bacon suggested that exercises of the mind were “the most innocent and meriting conquests” and were virtuous adventures of “hide and seek” with God<sup>14</sup>. This reasoning was accepted by Christianity<sup>15</sup>, and thus, the scientific method became an acceptable form of knowledge accumulation. All other ways of acquiring knowledge, which generally were classified as “pagan and ritualistic” were not tolerated by Christianity. The Witch Burnings, the Inquisitions<sup>16</sup>, and other Christian-initiated atrocities attest to this fact. Difference, and in particular, different knowledge was not permitted<sup>17</sup>.

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sin, loss of moral innocence and loss of dominion, and upon the claim that two separate agencies (religion and science) are appointed to mitigate the attendant evils. This distinction enabled Bacon to maintain the attempt to master nature through scientific progress did not violate God’s plan . . .” at 48-49. From a feminist perspective, see V. Shiva, *Staying Alive, Women, Ecology and Development* (London: Zed Books, 1988) at 14-38.

<sup>12</sup>*Ibid.* Leiss at 49.

<sup>13</sup>*Ibid.*

<sup>14</sup>Francis Bacon, “Thoughts and Conclusions”, in B. Farrington, ed., *The Philosophy of Francis Bacon* (Chicago: University of Chicago Press, 1966) 86 at 92.

<sup>15</sup>Leiss, *supra* note 11 at 48-49.

<sup>16</sup>In the thirteenth century.

<sup>17</sup>The Witch Hunts of the 1500s and 1600s can be seen as an example of the lack of tolerance. Brian Easlea discusses the annihilation of the ‘knowers and experts’, which represented other knowledge methodologies, and states as follows: “The interrogation of witches as a symbol for the interrogation of nature, the courtroom as model for its inquisition, and torture through mechanical devices as a tool for the subjugation of disorder were fundamental to the scientific method as power. For Bacon . . . sexual politics helped to structure the nature of the empirical method that would produce a new form of knowledge and a new ideology of

As a result of the work of these and other philosophers, the contemporary scientific method became the only 'valid' method of acquiring knowledge in contemporary society. In essence, contemporary science is the quest for knowledge, through hypotheses, "formulated after systematic, objective collection of data, is tested empirically"<sup>18</sup>. Today, science is concerned with establishing and systemizing all aspects of life into facts, principles and methods:

The controlled experiment and the laboratory are a central element of the methodology of reductionist science. The object of study is arbitrarily isolated from its natural surroundings, from its relationship with other objects and the observer(s). The context (the value framework) so provided determines what properties are perceived, and leads to a particular set of beliefs . . . the controlled experiment was therefore a political choice, aimed at control of nature and exclusion of other ways of knowing. It was assumed that the truth of nature was more accessible through violence and it was recognised that this truth is a basis of power.<sup>19</sup>

As implied above, there are a number of problems with science as the prevailing method of knowledge acquisition. First, the scientific method is fundamentally flawed because it reduces all subjects into the perfect sum of their parts, without consideration for either the inter-relatedness of the parts or the external environmental considerations that act upon the subjects. This has been called reductionism<sup>20</sup>, and will be referred to, here, as

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objectivity seemingly devoid of cultural and political assumptions: Brian Easlea, *Science and Sexual Oppression, Patriarchy's Confrontation with Woman and Nature* (London: Weidenfeld and Nicholson, 1981) at 64.

<sup>18</sup>Guralnik, *supra* note 1 Chapter 1 at 1275.

<sup>19</sup>Shiva, *supra* note 11 at 29.

<sup>20</sup>*Ibid.* at 38.



'microscience'<sup>21</sup>. One of the problems with microscience is that it does not allow for differing interpretations or different results to arise from subject matters being studied: it only allows for clearly right or wrong answers to a finite number of questions, and does not have the ability to deal with more subtle or complex subjects. This translates into dogmatically followed first principles, which are often inappropriate and erroneous, when considered in the actual context in which the subject matter arises.

Many authors have criticised this characteristic of microscience. For example, Kabeer has described the science as a methodology that breaks subject matters into unrelated, observable parts:

This reductive approach to the production of knowledge implies that the complexities of nature and society can be broken down into their constituent components, and the separate parts studied in isolation from each other. It operates with a hierarchy of explanatory levels. Simpler, lower level events assume priority in terms of causality as well as sequence over higher-level phenomena; according to this line of thought it is both possible and desirable to build solid foundations to knowledge by isolating basic components within the social system and subjecting them to detailed investigation. Once a component is understood, 'we' can build upon it as if it were a fixed and immutable foundation for subsequent enquiry.<sup>22</sup>

Kabeer finds that this reductionist science is simple, linear and hierarchical, starting from the lowest foundational analysis, leading to an aggregated analysis. She criticizes this method, because:

It works as a metaphor of nature and society as machine, rather than as organic whole: all systems are seen in terms of the same basic constituents, discrete,

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<sup>21</sup>See note 4 and accompanying text.

<sup>22</sup>Kabeer, *supra* note 2 at 72.



unrelated and atomistic . . . [It] neglects complex interaction between units, the interactions between the unit and the whole, as well as the possibility that a phenomenon can be simultaneously a unit and part of a larger whole<sup>23</sup>.

This methodology makes answers to questions unchangeable: "concepts and units of analysis are reified, frozen into universal and unchanging categories, robbed of the historical or analytical context from which they originally arose"<sup>24</sup>. Kabeer concludes that microscience is a "piecemeal and isolated analysis of problems and solutions resulting in the frequent confusion of surface appearance with underlying reality, symptoms with causes."<sup>25</sup> In her opinion, because of its reductionist nature, microscience is generally an inaccurate method of analysis.

Shiva<sup>26</sup> also finds that microscience is a flawed method of analysis because it does not consider external considerations operating on a given subject matter. She uses the 'agricultural revolution' in India as an example of the devastation that is likely to occur as a result of dogmatically followed first principles arising out of the scientific method. Shiva finds that the "highly recommended" style of agricultural development, based on microscience, actually caused great social and economic hardship for the countries that

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<sup>23</sup>*Ibid.* note 2 at 73.

<sup>24</sup>E. Weisband, "Statement of Purpose: Toward a Pedagogy" in *Poverty Amidst Plenty: World Political Economy and Distributive Justice*, E. Weisband, ed. (Boulder: Westview Press, 1989) 1 at 4.

<sup>25</sup>Kabeer, *supra* note 2 at 73.

<sup>26</sup>V. Shiva, *The Violence of the Green Revolution, Third World Agriculture, Ecology and Politics* (London: Zed Books, 1991).

instituted these policies.

Specifically, the "Green Revolution" caused indigenous farmers in developing countries to move from crops that were efficient and sustainable within the ecosystem of the geography, to plant crops that were initially more profitable in terms of yield, but depleted the natural geological resources to such a degree that further harvests have become unsustainable<sup>27</sup>. This agricultural example is simply one of a diverse number of situations where reductionist principles ignore the inter-connectedness between a subject of study and its environment. Clearly, although hybrid farming was the "theoretically correct" answer to food shortages in India, in reality, the application of these theories caused significant long-term damage, for the sake of transitory short-term gain. Shiva finds that long-term damage is characteristic of many recommendations of microscience<sup>28</sup>.

There are other authors<sup>29</sup> who have also come to similar conclusions. In addition to these defects, there are other faults inherent in microscience which specifically affect women. In particular, both from a historical and current perspective, microscience is gender biased.

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<sup>27</sup>It also had reduced the fuelwood, fodder, availability of water and other natural resources. As a result of these decreases, women, who generally were reliant on these resources for family sustenance, as will be described in Chapter Six, were faced with increased time demands and hardships, *ibid.* at 133.

<sup>28</sup>*Ibid.* at 133.

<sup>29</sup>See Leiss, *supra* note 11, Lombardi, *supra* note 7, Korner, *supra* note 8 Chapter 1 and Hilary Rose, *Love, Power and Knowledge, Towards a Feminist Transformation of the Sciences* (Oxford: Polity Publishers, 1994).

Turning back to the example of Aristotle, his philosophies articulated commonly held biases against women for that time period. Aristotle determined that women were inferior and worth 'less' than men, since "women were incomplete versions of men"<sup>30</sup>. Aristotle believed that the body and soul were two separate parts of the same individual. Those aspects of the individual that were rational and logical were male in nature, whereas the natural features of the individual, namely the physical body and its needs, were female in nature. Further, because the rational had to control the natural, it 'followed' that men had to, and were entitled to, control women.

Bacon's work similarly expressed gender bias. Shiva<sup>31</sup> notes that Bacon's work was a "special programme benefitting the middle class, European, male entrepreneur, through the conjunction of human knowledge and power."<sup>32</sup> Shiva concludes that through Bacon's efforts, which were sanctioned by Christian authorities, there was:

A dichotomising between male and female, mind and matter, objective and subjective, irrational and emotional and a conjunction of masculine and scientific domination over nature, women and the non-west. [Bacon's] was not a neutral objective scientific method - it was a masculine mode of aggression against nature and domination over women . . . The discipline of scientific knowledge and the mechanical inventions it leads to do not merely exert a gently guidance over

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<sup>30</sup>Aristotle stated: "the body is from the female, it is the soul that is from the male, for the soul is the reality of the particular body . . . the rule of the soul over the body and of the mind and the rational element over the passionate is natural expedient; whereas the equality of the two or the rule of the inferior is always hurtful..." as found in G. Lloyd, *Polarity and Analogy: Two Types of Argumentation in Early Greek Thought* (Cambridge: Cambridge University Press, 1980) at 43-44.

<sup>31</sup>Shiva, *supra* note 11 at 14-15.

<sup>32</sup>*Ibid.*

nature's course; they have the power to conquer and subdue her, to shake her to her foundations<sup>33</sup>.

Women and "others"<sup>34</sup> had no voice in the new science. Knowledge became intimately linked to power and control<sup>35</sup>. The scientific method promoted and enhanced the power of patriarchy, and particular, the power of the white, Western man<sup>36</sup>.

Many other philosophers<sup>37</sup> articulated the same opinions as Aristotle and Bacon. This prevailing historical view of women can be summarized by this illustration:

Men are by nature of a more elevated mind than women. They are more suited to struggle with arms and with cunning against the misfortunes which afflict country, religion and one's own children. The character of men is stronger than that of women and can bear the attacks of enemies better, can stand strain longer, is more constant under stress. Therefore, men have the freedom to travel with honour in foreign lands, acquiring and gathering the goods of fortune. Women, on the other hand, are almost timid by nature, soft, slow, and therefore more useful when they sit still and watch over things. It is as though nature thus provided for our well-

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<sup>33</sup>J. Spedding ed., *The Works of Francis Bacon* (reprint.), vol. 5 (Stuttgart: F. F. Verlag, 1963) at 506.

<sup>34</sup>That is, any entity which was not white, male and capitalist in nature, whether it be an organization, government, individual, or otherwise.

<sup>35</sup>It is interesting to note, as has Shiva, *supra* note 11 at 23 that 80 percent of scientific research is devoted to the war industry. This, she states, displays the close nexus between reductionist science, patriarchy, violence and profits.

<sup>36</sup>A feminist viewpoint will be used in the following analysis. Other, equally valid perspectives will not be addressed, due to the limited nature of this work.

<sup>37</sup>See John Ralston Saul, *Voltaire's Bastards, The Dictatorship of Reason in the West* (Toronto: Penguin, 1992) at 10-64 for a discussion of other philosophers with similar ideologies.

being, arranging for men to bring things home and for women to guard them<sup>38</sup>.

Men were thus 'destined' to be masters over women and in this position of dominance, often would use gender as a basis to justify their otherwise unacceptable actions. For example, the disproportionately high female deaths<sup>39</sup> arising from the Witch Burnings were justified<sup>40</sup> by the authors of the *Malleus Maleficarum* (Hammer of Witches) because "women were naturally more impressionable, and more ready to receive the influence of a disembodied spirit . . . as they were feebler both in mind and in body . . . (women) were 'imperfect animals' . . . with insatiable carnal lust."<sup>41</sup> Because they were women, they were more susceptible to 'evil'. Similarly, foot binding practices in Japan, and genital mutilations of Africa were justified<sup>42</sup>, because, in part, they were directed at the need to control and dominate the 'genetic deformity' of femaleness<sup>43</sup>. In these cases, the only

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<sup>38</sup>L.B. Alberti, *The Family in Renaissance Florence* (Columbia, South Carolina: University of Carolina Press, 1969) at 207.

<sup>39</sup>See M. Daly, *Gyn/Ecology: The Metaethics of Radical Feminism* (New York: Harper & Row, 1980) at 144, for a discussion on the witch hunts and persecution of women by the Church for being involved with "forces of evil".

<sup>40</sup>*Ibid.* at 139-145.

<sup>41</sup>J.O'Faolain & L. Martinese, (eds.), *Not in God's Image* (New York: Harper Colophon Books, 1973) at 208-209.

<sup>42</sup>Generally, see Daly, *supra* note 39 at 120-151.

<sup>43</sup>The existence of the uterus was seen as a deformity: "The nature of women, according to the clergy of the Middle Ages was problematic, to the extent that some debated whether women could be considered human beings. In general, women was inferior to men, having been constructed from Adam's crooked rib, and consequently incapable of having any authority over him as would be the case, according to the theory, if she had been produced from Adam's head. In general, order in the family is

error the women had made was that of being born female<sup>44</sup>. There was no consideration of the worth and value of women as individuals; only the dichotomy of gender and the control of women was considered<sup>45</sup>.

This notion of accepted male dominance over women, due to women's perceived "inferiority", is known as patriarchy. Patriarchy is currently the root of many western definitions of men and women and their relationships<sup>46</sup>. Within patriarchy, men have 'power', which is defined as "the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests"<sup>47</sup>. 'Patriarchalism', therefore, means "the authority of the father, the husband, the senior of the house, the male elder over the other members of the household"<sup>48</sup>. The eldest male held power of the patriarch over 'his females' and junior males. This power distribution was accepted and encouraged by many philosophers.

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wanting if some were not governed by others wiser than themselves . . . women is naturally subject to man because in man the discretion of reason predominates", Thomas Aquinas, quoted in Rosemary Agonito, *History of Ideas on Women* (New York: G.P. Putman's Sons, 1977) at 85.

<sup>44</sup>See Daly, *supra* note 38, generally, for a discussion of these practices.

<sup>45</sup>Kabeer, *supra* note 2 at 135.

<sup>46</sup>Including social and economic relationships, as well as others. Some of these biases are so deeply rooted in societies that they can no longer virtually be identified out of the cultural fabric.

<sup>47</sup>Guenther Roth & Claus Wittich, eds., *Max Weber, Economy and Society*, 3 vols. (New York: Bedminster Press, 1968) vol. 1 at 53.

<sup>48</sup>*Ibid.* Vol. 3 at 1006.



Weber was one of the advocates of this power hierarchy. He describes the power of the patriarch as a "personal prerogative", and encouraged men to "exercise power without restraint"<sup>49</sup> over 'their' women. This power structure existed, according to Weber, because "the woman is dependent because of the normal superiority of the physical and intellectual energies of the male."<sup>50</sup> Thus, the patriarch was allowed to dominate the household as the object of his authority. Women remained the 'other'; "they are partial, flawed accounts of social reality".<sup>51</sup> Women had no power.

From the simplest perspective, it must be remembered that microscience is based on ideologies and philosophies written by *men* such as Aristotle, Descartes, Hobbes, Bacon, and Hume<sup>52</sup>. All were privileged men with Western European philosophical backgrounds<sup>53</sup>:

The simple truth is that (women) were not part of the formulation and creation of the Age of Reason. In fact, women were the symbol of the irrational. Ever since the birth of the Age of Reason, women have been perceived by the new elites to be on the losing side . . . Richelieu can be found writing to his vacillating king about the necessity of developing the masculine virtue of making decisions rationally. Centuries later, the slow push for universal suffrage in the western democracies illustrated that nothing had changed . . . fewer than 75 years ago an aristocratic,

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<sup>49</sup>Kabeer, *supra* note 2 at 38.

<sup>50</sup>H.H. Gerth and C. Wright Mills, eds., *From Max Weber: Essays in Sociology* (New York: Oxford University Press, 1946) at 296.

<sup>51</sup>Joni Seager, *Earth Follies* (New York: Routledge, 1993) at 255.

<sup>52</sup>See Saul, *supra* note 37 at 10-77 for a discussion on this point.

<sup>53</sup>See L. Richelieu, *The Political Testament of Cardinal Richelieu* (reprint.) (Madison: University of Wisconsin Press, 1961) at 45.

well-educated, property-owning woman was considered less fit to vote than a penniless, uneducated miner or the segregated son of a freed slave. It would therefore be a great error to assume that our society has had or has within it today the basic flexibility to allow real female participation. After all, it has been created over a period of nearly five centuries without them in mind<sup>54</sup>.

Although it is difficult to hypothesize what the characteristics of contemporary society would have been, had the female perspective been included, Lombardi suggests that it is most likely society would be different.<sup>55</sup> However, women were not allowed to have a voice in this formation as they did not have the socio-economic power to make themselves heard. Further, those with power had vested interests<sup>56</sup> in maintaining the patriarchal systems. Thus, these patriarchal paradigms were the epistemologies that were promoted and accepted. Any disobedience to these systems was quickly and vigorously eradicated<sup>57</sup>. The microscientific method only reflected the dominant viewpoint of patriarchy:

Science has been produced by a particular sub-set of the human race that is, almost entirely by white middle class males. For the founding fathers of modern science, the reliance on the language of gender was explicit; they sought a philosophy that deserved to be called 'masculine' that could be distinguished from its ineffective predecessors by its 'virile' powers, its capacity to bind Nature to man's service and make her his slave.<sup>58</sup>

The values of the white, Western patriarchy, as entrenched in microscience, ensure that

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<sup>54</sup>Lombardi, *supra* note 7 at 150-158.

<sup>55</sup>Although he does not suggest how they would be different, nor how much different they would be, *ibid*.

<sup>56</sup>Usually financial, although, like Bacon, sometimes religious interests according to Saul, *supra* note 37 at 45.

<sup>57</sup>See page 18 of this treatise.

<sup>58</sup>Evelyn F. Keller, *Reflections on Gender and Science* (New Haven: Yale University Press, 1985) at 7.

alternative paradigms are not considered by society.

This entrenchment of the subordinate status of women in microscience has also been criticised by other authors. Shiva, for example, finds that modern science<sup>59</sup> is consciously gendered, and promotes patriarchal biases against women:

Science as a male venture, based on the subjugation of female nature and female sex provided support for the polarisation of gender. Patriarchy as the new scientific and technological power was a political need of emerging industrial capitalism . . . for more than three centuries, reductionism has ruled as the only valid scientific method and system, distorting the history of the west as well as the non-west. It has hidden its ideology behind projected objectivism, neutrality and progress. The ideology that hides the ideology has transformed complex pluralistic traditions of knowledge into a monolith of gender-based class-based thought and transformed this particular tradition into a superior and universal tradition to be superimposed on all classes, genders and cultures which it helps in controlling and subjugating. This ideological projection has kept modern reductionist science inaccessible to criticism. The parochial roots of science in patriarchy and in a particular class and culture have been concealed behind a claim to universality, and can be seen only through other traditions - of women and non-western peoples.<sup>60</sup>

Other authors have similarly concluded that microscience and its attendant procedures are intimately linked to patriarchy. It is noted that microscience is not objective, and that the types of research produced by this methodology are governed by the needs of patriarchy:

. . . people believe in (science) - because scientists since Bacon, Descartes and Max Weber have constantly concealed the impure relationship between knowledge and violence or force (in the form of state and military power for example) by defining science as the sphere of a pure search for truth. Thus, they lifted it out of the sphere of politics, that is the sphere of force and power. The separation of politics, [power], and science. . . is based on a lie. It does not exist and it has never existed that value-free, disinterested pure science devoted only to the infinite search for truth, which is legally protected as scientific freedom in our

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<sup>59</sup>Shiva, *supra* note 11 at 21.

<sup>60</sup>*Ibid.*

constitutions. Even those scientists who only want to satisfy their presumably irresistible urge for pure knowledge and research cannot do so unless such basic research is funded. And it is not difficult to identify militaristic, political and economic interest behind this funding of fundamental research.<sup>61</sup>

It is concluded that patriarchy is one of the primary influences of microscience and its decisions on what subjects are 'worthy' of research. Kabeer also finds that the type of research generated by microscience is influenced by its reductionist biases against women. She notes that there is an intrinsic relationship between the world-view of the powerful patriarchy and the kinds of knowledge that they are likely to promote, fund and act upon. She identifies that there is an underlying hierarchy of knowledge upon which the foundations of this epistemology are based, which includes hierarchies of certain kinds of information (scientific, positivist), over other types of information, (local, experimental), and certain kinds of 'knowers', (neutral, detached) over others (committed, involved)<sup>62</sup>. She concludes that those individuals and entities that have power and influence strongly control<sup>63</sup> the type and importance of knowledge that is sought by current society. The influence and political choices of the white, Western patriarchy tend to shape the scientific method into a structure that enhances its power.

This is not to say that the current application of the scientific method is deliberately

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<sup>61</sup>Maria Mies, "Feminist Research: Science, Violence and Responsibility" *supra* note 18 Chapter One 36 at 46.

<sup>62</sup>Kabeer, *supra* note 2 at 72-73.

<sup>63</sup>Whether directly, or indirectly. Examples of indirect influence can be found in the distribution of funding for projects, political support, media support, and other forms of non-active, but nevertheless, most effective indirect control.

gender-biased. In fact, science, if viewed apart from the social, political and cultural influences that currently define its nature, may be classified as 'gender-neutral', in the sense that the method does not distinguish between the male and female objects of its study. However, it is difficult to separate hypothetically 'pure' science from its history, its current application and its effects.

It must be remembered that the scientific method originated in the white, Western patriarchy, and either deliberately, or by default, excluded or degraded women. This was a political choice. From these foundations, microscience was created. Microscience also, through political choice, tends to exclude women's issues from study. Although the effects of this exclusion are not overtly deliberate or intentional, the results are the general disenfranchisement of all women to varying degrees. Therefore, since microscience is, by definition, shaped by power and political choices of the white Western patriarchy which has an exclusionary effect on women and causes them harm, contemporary microscience is gender-biased<sup>64</sup>.

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<sup>64</sup>An analogy may be useful to consider here. If an individual, intent on robbing a bank 'accidentally' kills another in the commission of the robbery, although the repercussions arising out of the offence are not the same for deliberate, as compared to unintentional actions, the individual still has killed someone else. Here, the defence of science that it is 'gender-blind', and unintentional does not absolve it of its disparate effect on women. However, if a linear 'cause and effect' viewpoint is used, which assumes that unless there is intent, there cannot be gender bias, then science may accurately be defined as 'gender-neutral'. This is not the viewpoint that will be forwarded in this work. Instead, the current application of microscience will be classified as 'gender-biased'.



The classification of currently applied microscience as 'gender-biased', however, is virtually impossible to 'prove' because of the indoctrination of Western scholars into the microscientific approach to problem solving. Specifically, one reason<sup>65</sup> for the continuation of the microscientific world-views that exist today, according to Shiva, and others<sup>66</sup> is because of the contemporary educational system. This system attempts to train all people, including 'modern'<sup>67</sup> women and indigenous peoples in the methodology of microscience. From a very young age, all are taught that microscience is the only valid "way of knowing". This ideology cannot, or is often not, criticised, because people have been so inculcated, and often do not perceive alternatives to that vision. Those that do see alternatives are often humiliated or ridiculed<sup>68</sup>. Their voices are expediently silenced, as a result<sup>69</sup>. Shiva<sup>70</sup> reflects on this lack of critical analysis with respect to microscience:

The rationality and efficacy of reductionism and non-reductionist knowledge systems are never *evaluated* cognitively. The rationality of reductionist science is, *a priori*, declared superior. If reductionist science has displaced non-reductionist

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<sup>65</sup>There are other reasons for the continuation of microscience. These will not be discussed here; see Kabeer, *supra* note 2 at 24-46.

<sup>66</sup>See Susan Harding, *The Science Question in Feminism* (Ithaca: Cornell University Press, 1986) at 14-20, and Keller, *supra* note 58 at 2-24.

<sup>67</sup>Modern, in this context, means successful in terms of society's dominant values, which tends to be money, according to Shiva, *supra* note 11 at 23-24.

<sup>68</sup>Harding, *supra* note 66 at 22.

<sup>69</sup>*Ibid.* at 22.

<sup>70</sup>Shiva states: "the appearance of objectivity that is attached to some value judgements comes from the fact that a particular tradition is used but not recognised. Absence of the impression of subjectivity is not proof of objectivity but an oversight", Shiva, *supra* note 11 at 31.



modes of knowing, it has done so not through cognitive competition, but through political support from the state development policies and programmes provide the financial and material subsidies *as well as* the ideological support for the appropriation of nature for profits... subjects and citizens become objects of change rather than its determinants, and consequently lose both the capability and the right to assess progress.<sup>71</sup>

Shiva concludes that the white, Western patriarchy, which desires continued power and dominance, effectively 'propagandizes' all potentially 'macroknowledge-questing' individuals and entities with the unquestionability of reductionism. This training ensures the continued success of the patriarchy<sup>72</sup>. This characteristic is also recognized by

Harding:

Neither God nor tradition is privileged with the same credibility as scientific rationality in modern cultures . . . the project that science's sacredness makes taboo is examination of science in just the ways any other institution or set of social practises can be examined.<sup>73</sup>

Harding recommends the re-examination of both the methodology and results of microscience as a means of addressing the current development problems of society, and of women<sup>74</sup>. However, it may be that this re-examination is beyond the scope of those already trained in microscience, including Western scientists and academics, since this is the only manner in which the educational system allows academic training.

Irrespective of these observations, the dominant viewpoint of society remains

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<sup>71</sup>*Ibid.*

<sup>72</sup>*Ibid.*

<sup>73</sup>Harding, *supra* note 66 at 102.

<sup>74</sup>This will be further addressed in Chapters Five, Six and Seven.

microscience. Microscience was created by patriarchy, as a system to both glean reductionist knowledge and ensure that its power base remained secure. Microscience discards and ridicules knowledge that does not fit into its premises. This safeguards its supremacy. As a result, the supremacy of the white Western patriarchy is also protected. Therefore, it is in the best interests of the white Western patriarchy to promote microscience as much as possible.

From a feminist perspective, clearly this lack of questioning regarding the inherent gender-bias of microscience must change, in order for alternative macroknowledge approach to science to be recognized. However, it is expected that the powerful and influential individuals and entities will be very reluctant to relinquish their exclusive control over current power and paradigms<sup>75</sup>. Nevertheless, the renunciation of the exclusive acceptance of microscience is necessary, if the problems facing today's society are to be addressed and resolved. New questions and new answers must be found, particularly in the field of development.

## **2. Science and Development**

Contemporary development theories were originally formulated once the monetary motivations of men became empirically measurable through the microscience of

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<sup>75</sup>Such relinquishment may be resisted by various means, including violence, threats of violence, economic control, psychological control, or a number of other common power-enhancing techniques, Buvinic, *supra* note 13, Chapter One at 32.

economics. Prior to the early 17th century, the study of economics involved only the management of the household as its subject matter<sup>76</sup>. However, because of the microscientific 'requirement' to quantify all things, and to reduce human and natural behaviour to its component parts<sup>77</sup>, economics became a scientific method to measure financial behaviour. Economics became the microscience of preferences<sup>78</sup>.

The work of Adam Smith<sup>79</sup>, and in particular, his book, *The Wealth of Nations*<sup>80</sup> led to the creation of the microscience of economics. Put simplistically, Smith's hypothesis was that men's behaviour could be predicted by their individualized feelings of pleasure or pain; if men felt pleasure at a certain activity, or from a certain thing, they would tend to repeat the activity or try to acquire, or reacquire that thing. If they felt pain, they would avoid that activity or thing. This theory was known as the 'hedonistic principle'. In economic

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<sup>76</sup>Lombardi, *supra* note 7 at 23.

<sup>77</sup>Due to microscientific principles.

<sup>78</sup>However, because economics is merely a branch of microscience, it is actually fraught with the same lack of objectivity and partiality towards the values of the white Western patriarchy as microscience in itself. This will be further discussed.

<sup>79</sup>Adam Smith, (1723-1790).

<sup>80</sup>Adam Smith, *An Inquiry Into the Nature & Causes of the Wealth of Nations*, R.H. Campbell, A.S. Skinner, eds. (Oxford: Clarendon Press, 1976).

terms, this behaviour would create a 'natural'<sup>81</sup> demand<sup>82</sup> for certain commodities<sup>83</sup>, which would, in turn, govern the prices at which the commodities could be acquired. This sequence of events was known as the 'invisible hand' of economics. Smith's work was largely based on the philosophies of David Hume<sup>84</sup>, who, similar to his contemporary, de Montesquieu<sup>85</sup>, suggested that man was a creature of the senses, rather than a creature of reason<sup>86</sup>. Smith's economic hypotheses assumed that peoples' economic behaviour was governed by their senses.

Other scholars extended Smith's work. For example, Pareto<sup>87</sup> elaborated on Smith's

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<sup>81</sup>Natural, because the economic responses of men were seen to be instinctual, rather than derived by the processes of thought.

<sup>82</sup>Called the 'market demand'.

<sup>83</sup>Because very few commodities are 'infinite', those that are not have a value assigned to them, based on the mechanisms of demand and supply in the market.

<sup>84</sup>David Hume, (1711-1776). The complete works of Hume will not be analysed in this paper, due to the limited scope of this paper. See generally, Ernest Mossner, *David Hume, An Enquiry Concerning Human Understanding and Other Essays* (New York: Washington Square Press, 1963). However, it is important to note that his work had a significant impact on the theories of Smith: Smith, *supra* note 80 at 213.

<sup>85</sup>Charles Louis de Secondat de Montesquieu, (1689-1755).

<sup>86</sup>"All inferences from experience, therefore are Effects of Custom, not of reasoning. Custom, then, is the great Guide to human life. 'Tis that Principle alone which renders our Experience useful to us.", quoted in Mossner, *supra* note 84 at 21.

<sup>87</sup>Vilfredo Pareto, (1848-1923).

notions of pain and pleasure governing economic behaviour<sup>88</sup> by devising 'indifference curves', whereby pain and pleasure could be measured. 'Pareto optimality' described the maximization of pleasure and pain. From this measurement initiative, theories regarding the elasticities of demand and supply were conceived.<sup>89</sup> Thus, the foundations of economics as a microscience were created.

This microscientific economic ideology was then used to delineate the modern notion of development. Today, development is simply defined as the relative wealth and industrialization of countries, as measured by numerical, economic indices<sup>90</sup>. Positive relative measurement of these indices is defined as development, whereas negative relative measurement is defined as underdevelopment, or maldevelopment.

Many authors have concluded that this numerical definition of development is the

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<sup>88</sup>This was known as the 'cardinal utility theory', Lombardi, *supra* note 7 at 142.

<sup>89</sup>Which included the notions of preference and utility, including marginal utility.

<sup>90</sup>Some of these indices include GNP, GDP, balance of payments status, trade balances, and so on. These specific indices, and the contemporary application and results of development principles will be discussed in Chapter Four.

dominant viewpoint of contemporary society<sup>91</sup>. For example, Bartelmus<sup>92</sup> has identified the current model of development to be a "neoclassical growth model" based on "individual planning, market mechanisms, and increased saving and capital injection by foreign aid for investment."<sup>93</sup> According to the model, the measurement of growth and development will be evident in net changes in GNP, GDP, balance-of-payments, and other economic indicators<sup>94</sup>.

Further, Shiva<sup>95</sup> refers to the model proposed by Rostow<sup>96</sup>, as an example of the currently accepted model of development. Rostow categorizes economic development into a three stage model: the 'traditional model', the 'dual sector model' and the 'takeoff model'. The 'traditional model' was characterized by limited production functions with limitations of

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<sup>91</sup>The phrase "dominant viewpoint of contemporary society" is used to describe the viewpoint held by those countries, institutions, individuals that have social, political and economic power generally. This does not mean to imply that there are not other viewpoints. The term is used simply to connote the views of the majority of the affluent and influential.

<sup>92</sup>Peter Bartelmus, *Environment and Development* (Boston: Allen and Unwin, 1986) at 4-6.

<sup>93</sup>*Ibid.*

<sup>94</sup>Lombardi similarly identifies that economic indicators and numerical measurement typically define development. Lombardi, *supra* note 7 at 36.

<sup>95</sup>Vandana Shiva, *Ecology and the Politics of Survival, Conflicts over Natural Resources in India* (Tokyo: United Nations University Press, 1991) at 20-35.

<sup>96</sup>W. W. Rostow, "Proceedings of the Conference of the International Economic Association", W. W. Rostow, ed., *The Economics of Take-off into Sustained Growth* (London: Macmillian Press, 1963) 45 at 51.



productive output. This model would proceed in a linear fashion to the 'dual sector' model, which would have two diverging sectors of an economy, 'dynamic and progressive' (modern), and 'stagnant and backward' (traditional). In this stage, resources would be used to create development and abundance for a country, through the process of modernization<sup>97</sup>.

Rostow next assumed that the dual sector model would progress in a linear fashion, to a entirely modern model, called the 'takeoff model'. This takeoff model would make the most productive use of resources, through modernization and industrialization, resulting in "economic wealth for all"<sup>98</sup>. This model of development is still considered generally valid in the field of development economics<sup>99</sup>. However, as will be shown below, this model is inaccurate.

In particular, because of its foundations on microscientific principles, contemporary development principles can be extensively criticized. Specifically, for example, once economics became a microscience, its validity was beyond reproach because economics had been perceived as being derived from first principles. These first principles were deemed to be unalterable truths, which could be observed and replicated through experimentation. Thus, economics, as a science, could no longer deal with the contingent,

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<sup>97</sup>Shiva, *supra* note 95 at 25.

<sup>98</sup>Lombardi, *supra* note 7 at 25.

<sup>99</sup>Shiva, *supra* note 11 at 27.

because according to these reductionist principles, the contingent could not exist as a subject of analysis. External factors that necessarily operated on a subject were deleted from the analysis. For example, if a developing country was the subject of investigation, the international market conditions that operated on it would not necessarily appear as part of the investigation. Clearly, invalid hypotheses would arise from this method which strictly isolated its subject matter from reality.

Rather than having the ability to deal with a diverse variety of problems, the science of economics became the solution to a finite set of problems. Western philosophers precisely defined what the set of problems and solutions were, and similarly determined what the economic 'first principles' and unquestionable economic truths were. Economics became a Western science, not an art. Economics could not present alternatives to problems, only basic 'truths'<sup>100</sup>. Economics could only answer a specific set of problems.

In identifying these limitations, Shiva notes that microscientific development was merely concerned with increases in the numerical measurements of wealth:

(Current development theories) focused exclusively on a model of progress derived from Western industrialized economies, on the assumption that western style progress was possible for all. Development, as the improved well-being of all, was thus equated with the Westernization of categories - of human needs, productivity and growth . . . 'development' as capital accumulation and the

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<sup>100</sup>Of course, when one considers the economic turmoil facing all nations, and specifically developing countries, it seems patently obvious that these economic 'truths' have somehow gone awry. See Lombardi, *supra* note 7, generally, at 22-48. The actual effects of applied economic truths will be discussed in Chapters Four through Seven.

commercialization of the economy for the generation of 'surplus and profits' thus involved the reproduction of not only a particular form of wealth creation, but also of the associated creation of poverty and dispossession . . . it became an extension of the project of wealth creation in modern Western patriarchy's economic vision.<sup>101</sup>

Shiva points out that the microscientific economic principles are not applicable in all circumstances because they do not contemplate external, environmental considerations. Further, as will be discussed in this treatise, the application of microscientific development principles does not achieve western-style financial prosperity.

More specifically, the Rostow model of development is flawed. Rostow assumed that modernization would arise because of increased use of resources. In most cases, these resources are already in use; for development to occur, these resources would have to be diverted "away from survival needs and life-support functions . . ."<sup>102</sup> . Because of the inherent scarcity of resources<sup>103</sup>, and the lack of recognition of this feature in Rostow's model, the foundation of this paradigm is dubious.

In addition, the dual sector aspect of Rostow's model ignores economic polarisation<sup>104</sup>, which increases the impoverishment of the already poor. Shiva explains that it is the

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<sup>101</sup>Shiva, *supra* note 95 at 71.

<sup>102</sup>Shiva, *supra* note 11 at 26.

<sup>103</sup>The value of which is typically determined by market mechanisms, the model of which is founded on Western notions of value, *ibid.*

<sup>104</sup>Shiva, *supra* note 11 at 26.

"impoverishment of the peripheries and the erosion of the resources and rights of marginal communities [that] actually pay for the material basis of the prosperity of the enclaves"<sup>105</sup>, and calls the whole notion of development, "the anarchy of growth."<sup>106</sup> In her opinion, growth, as proposed by Rostow, means increased economic well-being of some, at the expense of others. She sees the growth as 'false and simply numerical', rather than a concept which improves lifestyles for all.<sup>107</sup>

Further, the microscience of development overlooks the fact that women must take a triple role<sup>108</sup> in many societies; they often must be the source of income, the source of family nurturing and well-being, as well as being involved in the organization of the

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<sup>105</sup>*Ibid.* at 27.

<sup>106</sup>*Ibid.* at 28.

<sup>107</sup>This issue of improved lifestyles will be further discussed. Other authors have similarly commented on Rostow's theory of stages of growth. See Lombardi, *supra* note 7 at 24. Also see Cheryl Payer, *The Debt Trap, The IMF and the Third World* (Middlesex: Penguin, 1974) at 89.

<sup>108</sup>Specifically, according to Moser, these roles include reproductive work, including childbearing and rearing, productive work, as wage earners, and community management work, involving assistance for the collective consumption of the community: Caroline Moser, "Women, Human Settlements and Housing: A Conceptual Framework for Analysis and Policy-making", in C. Moser and L. Peake, eds., *Women, Human Settlements and Housing* (London: Tavistock Publications, 1987) 12 at 13. Some authors, like Kabeer, *supra* note 2, at 39, hold that women have a dual role, rather than a triple role. Kabeer sees women's roles to consist of domestic duties, and employment duties. Moser's characterization may be more valid, however, because in subsistence economies, it is not uncommon, according to Shiva, *supra* note 11 at 32, for women to pool their meagre resources, for the collective use. This cooperation only occurs if it is organized by the women. Therefore, if these cooperative activities are considered, women do, indeed, have a triple role.

community. As such, microscientific development does not provide for appropriate social programmes, including welfare, education, food subsidies, or other quality of life-assisting measures, to assist women in the adequate fulfilment of these roles. This issue will be described in Chapter Six.

There are a multitude of other problems which result from the contemporary application of the microscience of economic development. Specifically, development principles change countries into economic units and increase the hardships faced by women.<sup>109</sup> This is because microscientific development focuses solely on economic indicators as evidence of affluence and modernization of a country. As a result, countries become merely a function of their perceived numerical wealth, rather than a function of other factors, such as culture, people, or society. It is clear from the continued poverty and failure to meet the basic needs of many people that this contemporary notion of development is not distributively fair, and tends to make the lives of the poor, worse.

In addressing the issues of development, it must be remembered that to alleviate the current disenfranchisement of women, it is not enough to simply attempt to correct inappropriate notions of development, and hope that the effects will positively assist women, as had been considered in the past. Further, because of the unique cultures of all

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<sup>109</sup>Current development theories also change nature into consumable resources and people into production facilitators. These will not be further discussed in this work. However, see Leiss, *supra* note 11, generally for the considerations regarding nature, and Lombardi, *supra* note 7 at 112-145 for effects on impoverished populations.



countries and societies, development principles which mandate cross-societal changes cannot be utilized for the betterment of all women. Thus, new development strategies must be formulated using the notions of gender and development, in a cultural relativist manner, which does not promote the developmental essentialist viewpoint which assumes that all women share the same experiences<sup>110</sup>. Development advances will not "trickle down", nor will they be the same for women of different race, culture, age, or a number of defining characteristics. Distinctions must be made between development that is public in nature, and can be addressed by generalized gender-oriented propositions, as compared to development which is private in nature, and must be addressed by those women who are experiencing a particular development experience. Thus, analysis of development must include both public and private gender considerations on a culture by culture basis. Otherwise, the net results will be an application of *simply more* inappropriate development directives, arising out of a culturally-foreign prescription for 'advancement'.

Currently, the specific details of the inappropriate contemporary applications of microscientific development are best explained by example. Specifically, the International Monetary Fund, (IMF), is an institution which applies these microscientific notions of

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<sup>110</sup>See Annie Bunting, "Theorizing Women's Cultural Diversity in Feminist International Human Rights Strategies", (1992) 42 B.C.L.R. 6, for a discussion of cultural relativism. See also H. Charlesworth, "The Public / Private Distinction and the Right to Development in International Law" (1992) 12 Australian Yearbook of International Law 190, and H. Charlesworth, C. Chinkin and S. Wright, "Feminist Approaches to International Law" (1991) 85 American Journal of International Law 613 for a description of the need to see development changes from gender-specific standpoints.



development to developing countries. As a result of the policies and procedures of this institution, countries are 'valued' based on their perceived wealth, and poor developing country women become further disenfranchised. The following chapters will explain the origins of the IMF, what it is, how it operates, and how it applies contemporary development principles. It will also describe how the IMF process causes the increased pauperization of developing country women. These effects are a result of the IMF's application of inappropriate and unsustainable development principles to developing countries.

### Chapter Three

The International Monetary Fund, (IMF), is a contemporary institution which applies microscientific notions of development in its policies and procedures. As a result of this application, developing country women experience heightened hardships. In order to understand these effects, the IMF, its power, and its processes must be initially examined.

#### 1. Structure of the International Monetary Fund

The International Monetary Fund was founded in July 1944, at Bretton Woods, New Hampshire, in the United States. This institution was negotiated with a view to commencing a new international economic order, to prevent the economic turbulence that existed, prior to, and during the Second World War<sup>1</sup>. The United States and the United Kingdom were the most prominent figures in the negotiations, and were clearly interested in stabilizing the international economic system to ensure their own financial positions. This was largely because their respective governments had economic power, relative to other countries, and also were of the opinion that the economic chaos had disproportionately affected their economies<sup>2</sup>. These countries envisioned the IMF as an

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<sup>1</sup>The IMF was envisioned as an "adjustment" institution, whereby it would assist its members in short term balance of payment problems: Kenneth W. Dam, *The Rules of the Game, Reform and Evolution in the International Monetary System* (Chicago: University of Chicago Press, 1982) at 6.

<sup>2</sup>Prior to the 1944 Bretton Woods negotiations, the international economic system was based on a bimetallic system of exchange, which had evolved from the exchange of gold and silver. For a description of the evolution of the International Monetary Fund, see generally A.B.

institution which would protect their own financial interests.

Today, the IMF is a specialized United Nations<sup>3</sup> (UN) agency that is owned and controlled by member national governments in conjunction with national central banks. It is founded on the hypothesis that "most countries' monetary problems are the result of flawed domestic policies, . . . [and therefore] the IMF focuses primarily on monitoring and regulating member's economic and financial programs"<sup>4</sup>. The IMF was conceived with six purposes in mind: (1) the promotion of international monetary cooperation; (2) the expansion of balanced growth and international trade; (3) the promotion of exchange stability, the maintenance of orderly exchange arrangements, and the avoidance of competitive exchange depreciation; (4) the establishment of multilateral payments systems; (5) the correction of balance-of payments maladjustments; and (6) the provision of resources to lessen the degree of such disequilibria<sup>5</sup>. As suggested by David:

The overall [IMF] philosophy stresses the maintenance of a liberal world economic and financial environment, which promotes financial and economic cooperation among member countries, the objective being to facilitate the expansion and balanced growth of world trade.<sup>6</sup>

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Hepburn, *A History of Currency*, rev. ed. (New York: Macmillan, 1924). Because of the limited scope of this thesis, the history of the IMF will not be addressed here.

<sup>3</sup>The IMF reports to the Economic and Social Council of the UN.

<sup>4</sup>K. Stiles, *Negotiating Debt, The IMF Lending Process* (Boulder: Westview Press, 1991) at 22.

<sup>5</sup>See W. L. David, *The IMF Policy Paradigm, The Macroeconomics of Stabilization, Structural Adjustment, and Economic Development* (New York: Praeger Publishers, 1985) at 13.

<sup>6</sup>*Ibid.*

The IMF possesses full juridical personality<sup>7</sup> and has certain privileges and immunities, as set out in its Articles<sup>8</sup>. For example, the Articles include: immunity from judicial process except to the extent the IMF expressly waives its immunity for any proceeding or contract; immunity of property and assets from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action; inviolability of archives; unrestrictable nature of assets; privilege of communication with members; immunity from taxation; and immunity of its officers, acting within their duties, from legal proceedings<sup>9</sup>.

The IMF consists of three separate bodies: the Board of Governors, the Executive Board and the Managing Director. The highest authority of the IMF is the Board of Governors, and all power vests specifically in the Board, unless stipulated otherwise by the Articles. Each member country appoints one governor and an alternate for Board membership<sup>10</sup>. Most countries appoint the governor of their central bank, or the minister of finance. The Board meets on an annual basis, and makes decisions including, *inter alia*, revisions of

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<sup>7</sup>According to the International Court of Justice: *Reparation for Injuries Suffered in the Service of the UN*, Advisory Opinion [1949] I.C.J. Rep. 174.

<sup>8</sup>*Articles of Agreement of the International Monetary Fund*, 22 July 1944, 69 Stat. 1401, 1402, T.I.A.S. No. 1501, 1, 2, UNTS 39, 40. Hereinafter, the Articles.

<sup>9</sup>Unless specifically warranted, details of the Articles will not be described within this treatise.

<sup>10</sup>Membership in the Board of Governors allows for voting on IMF issues, as discussed below.

quotas, changes in gold price, admission of new members, and a changes in the Articles<sup>11</sup>. Normally, however, because most of the Board's decisions are based on the counsel and directions of other committees and the Executive Board's recommendations, as discussed below, the most important function of the Board is to state views on the policy directions of the IMF.

The Executive Board is the most substantive decision making body of the IMF. It has limited members<sup>12</sup>, and has two categories of representation, appointed and elected. The original Articles required at least twelve Directors<sup>13</sup>, five of whom were to be appointed by the members with the largest quotas<sup>14</sup>, with the rest elected by the remaining membership. The other directors are elected by the Board of Directors, on the basis of a weighted voting scheme, which will be described below. The election of a Director to the Executive Board is extremely important for an IMF member, since:

The Executive Board is the pivotal decision-making organ of the institution. The powers exercised by the Executive Board relate to all activities of the Fund, including its regulatory, supervisory and financial activities. The breadth of these powers, the links with members, and continuous session give the Executive Board

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<sup>11</sup>Each of these decisions require a specific majority or unanimous approval, depending on the subject matter of the vote. See the Articles, *supra* note 8.

<sup>12</sup>H.K. Jacobson, *Networks of Interdependence: International Organizations and the Global Political System* (New York: Alfred A. Knopf, 1979) at 96.

<sup>13</sup>Currently, the total number of Directors is twenty two, due to the increase of IMF members. This number was changed pursuant to the authority in Article XII, Sec. 3(b), Articles *supra* note 8.

<sup>14</sup>Typically from large, industrialized countries. Quotas will be discussed below.

the central role in the Fund<sup>15</sup>.

The Executive Board is also given the function of interpretation of the Articles: under Article XXIX, "any question of interpretation of the provisions of this agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Board for its decision"<sup>16</sup>. If any member contests the Executive Board decisions, the matter is referred to the Board of Governors, whose majority decision is final. If there are disputes between a member and the IMF staff, appeal may be taken to the Executive Board, but no appeal can be taken to external arbitrators.

Decisions made by the IMF are binding on its members. Although the only methods that the IMF may use to obtain compliance to its decisions are to declare a member ineligible to use IMF resources, or removal of the country from membership, these consequences are so extremely unappealing that typically all care is taken by members not to incur these repercussions<sup>17</sup>.

The Managing Director and his<sup>18</sup> staff run the day to day operations of the IMF.

Approximately one quarter of the staff deals with memberships in the IMF, whereas the remaining staff assists in overall IMF concerns. The remaining staff are categorized as

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<sup>15</sup>T. Ferguson, *The Third World and Decision Making in the International Monetary Fund, The Quest for Full and Effective Participation* (New York: Pinter Publishers, 1988) at 65.

<sup>16</sup>*Ibid.* at 67.

<sup>17</sup>These repercussions will be discussed in Chapter Four.

<sup>18</sup>The Managing Director has *always* been male. The specific functions of the Managing Director will not be described here, except for the following text.



"functional departments". The functional departments control the conception, maintenance and enforcement of all IMF decisions and policies, and are the managers of information which flows to and from the IMF. In particular, the functional departments are the following: Legal, Central Banking, Fiscal Affairs, Exchange and Trade Relations, and Research and Treasurer's Departments<sup>19</sup>. The Managing Director, *inter alia*, organizes various IMF projects, employs expert economists to analyse member country economic information, undertakes negotiations with contributing and drawing members, and is responsible for all accounting, legal and functional aspects of IMF operation. He is a significant participant in the IMF hierarchy of power.

A more recent addition to the structure of the IMF is the Interim Committee<sup>20</sup>, which advises the Board of Governors regarding the broad functions of supervising the management and adaptation of the international monetary system and dealing with sudden disturbances potentially threatening to the system. The Committee, which consists of finance ministers from 'economically powerful' members, or groups of members, provides guidance on issues being considered by the Executive Board, or the Board of Governors. The Committee meets twice a year, and is an "integral and key part of the Fund's policy-making machinery"<sup>21</sup>.

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<sup>19</sup>Details regarding these departments can be found in Dam, *supra* note 1 at 78-82.

<sup>20</sup>Which was established in 1974. This committee replaced the Committee of Twenty, which was an "adjustment hoc Committee on reform of the International Monetary System and related issues", Ferguson, *supra* note 15 at 81.

<sup>21</sup>*Ibid.* at 70.

Another important influence on IMF decision making, although operating on an informal basis, are defined "groups of members". For example, the Group of Ten<sup>22</sup> represents the interests of "developed countries"<sup>23</sup>, whereas the Group of Twenty-Four<sup>24</sup> represents the interests of "developing countries"<sup>25</sup>. The two groups typically have diametrically opposed views on IMF issues, and as a result, the existence of these groups tends to solidify the "North-South" conflict that exists in the IMF<sup>26</sup>. Each group attempts to influence the determinations and decisions made by the IMF. In addition, external organizations, like the United Nations Conference on Trade and Development<sup>27</sup>, attempt to influence IMF decision making by representing specific interests.<sup>28</sup>

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<sup>22</sup>Hereinafter, G10. The G10 was established in 1962, and consists of Belgium, Canada, France, Italy, Japan, Netherlands, Sweden, United Kingdom, United States and Germany.

<sup>23</sup>The term "developed" in this paper is used to define a particular group of industrialized countries, which are commonly known as "developed". However, as will be further discussed, the term "developed" is actually a misnomer.

<sup>24</sup>Established in January, 1972. Hereinafter, G24. The G24 was established as a competing group to the powers and influence held by the G10. The G24 consists of representation from Latin America, Africa, Arab States, and Caribbean states. The establishment of the G24 formalized "the North-South divide", according to Ferguson, *supra* note 15 at 89.

<sup>25</sup>Throughout this paper, the term "developing countries", will be used to describe less economically powerful nations. This term is not intended to be a description of the circumstances of the countries in question, rather a term to describe a designated group.

<sup>26</sup>The issue of the North-South conflict will not be further examined in this paper. For further information, see Ferguson, *supra* note 15 at 70-92.

<sup>27</sup>This body was first convened in 1964, as a result of developing countries initiative. In addition, the existence of UNCTAD led to the establishment of the Group of 77, hereinafter, G77. According to Ferguson, *supra* note 15 at 34, the significance of the G77 was that it was one of the most important organs of representation for developing countries.

<sup>28</sup>There are other politically motivated groups that attempt to influence the IMF. These will not be discussed in this thesis. However, an example of the groups that are connected to the

The IMF funds its basic resources through the contributions of members, called "quotas"<sup>29</sup>. Initially, each country disburses funds to the IMF, payable by twenty-five percent gold<sup>30</sup>, and seventy-five percent in non-interest bearing notes. These contributed quotas are a significant factor in the influence that a member has on IMF decisions<sup>31</sup>. This is because many IMF decisions are made on a weighted voting system. Under the Articles, each IMF member receives two hundred and fifty basic votes, plus one additional vote for each part of its quota equivalent to one hundred thousand dollars, US.<sup>32</sup> Similarly, if a member 'borrows' currency from the IMF, the votes are adjusted downwards, at a rate of 1 vote per one hundred thousand dollars US, that it uses. This weighted voting system was designed to be technically biased in favour of "less economically potent" members,

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IMF can be seen in the relationship between the IMF and the United Nations. These bodies are related by the *Agreement Between the United Nations and the International Monetary Fund*, 15 November, 1947, as reproduced in K.J. Horsefield, *The International Monetary Fund, 1945-65: Twenty Years of Monetary Cooperation*, Vol. 3 (Washington, D.C.: International Monetary Fund, 1969) at 215. Under Article 63 of the *UN Charter*, the IMF was designated as a specialized UN agency, which is required to consult the UN, but is not bound to accede to recommendations emanating from the United Nations system.

<sup>29</sup>Quotas are related to " (1) members' subscription to the IMF (i.e. their contributions to IMF resources), (2) member's drawing rights under regular and special facilities; (3) member's voting power; and (4) member's share of any allocation of SDRs", David, *supra* note 5 at 15.

<sup>30</sup>If net reserves are small in a country that wants to become an IMF member, the proportion of gold payable may be reduced: see J.J. Polack, *Some Reflections on the Nature of Special Drawing Rights* (Washington, D.C.: International Monetary Fund Pamphlet Series, 1969) at 12.

<sup>31</sup>J. Gold, *The International Monetary Fund and International Law, an Introduction* (Washington, D.C.: International Monetary Fund, 1965) at 10.

<sup>32</sup>Today, the same basic formula applies, except that Standard Drawing Rights, [hereinafter, SDRs], are now substituted for U.S. dollars, as a basis for voting valuation.

although this concept has been open to significant criticism<sup>33</sup>. In fact, in 1985, developed countries had 63.2 percent of the total voting power in the IMF, whereas developing countries had a mere 35.6 percent of the total IMF voting power. From this relative voting strength alone, an inference of greater developed country influence on the IMF may be made.

Other IMF decisions are made by majority voting<sup>34</sup>. Some decisions require a simple majority, whereas other decisions require higher majorities<sup>35</sup>. Generally, the combination of weighted and majority voting schemes were designed to "serve as a system of checks and balances to protect the interests of specific members or groups of members, on the

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<sup>33</sup>Although the voting weights technically could have meant more influence for economically smaller members, in actual fact, the votes have been significantly diluted by increased quotas for larger members. In fact, the voting structure allows the more powerful, industrialized nations to use the IMF in their own interests. This issue will be considered further in the paper. Ferguson, *supra* note 15, at 63 shows the actual percentage of total voting power that basic votes give to each member: 1946: 11.3% of total, 1960: 10.3% of total, 1970: 10.3% of total, 1975: 9.9% of total, 1980: 5.1% of total, 1982: 5.6% of total. The general trend is an erosion of the actual power of influence that basic votes have.

<sup>34</sup>Under the second Amendment of the Articles of Agreement in 1977, the U.S. agreed to decrease its quota to less than 20% of the total voting power, to facilitate increases in the quotas of major oil exporting members. In exchange, the U.S. required that more IMF decisions be made using an 85% voting majority. Although the developing countries were opposed to this change, the U.S. view prevailed. Thus, in decisions requiring an 85% majority, the U.S. effectively has veto powers. This decision was made, despite United Nations resolutions on *The Establishment of a New International Economic Order*, which stated that "the full and effective participation on the basis of equality of all countries in the solving of world economic problems is in the common interest of all countries": (1974) G.A. Res. 3201, 2 UN GAIOR Supp. No. 6 at 3, UN doc. A/9557.

<sup>35</sup>Originally ranging from two-thirds, three-quarters, four-fifths and unanimity. See J. Gold, *Voting Majorities in the Fund* (Washington, D.C.: International Monetary Fund Pamphlet Series No. 20, 1977) for a discussion on principles and specific rules on voting.

one hand and [also facilitate]. . . the consensus mode"<sup>36</sup>. Actual voting, however, is unusual, because under the *By-Laws and Rules and Regulations*<sup>37</sup>, as adopted under the Articles, both for the Executive Board, and for the Board of Governors, formal votes are unnecessary; the decisions are made by "the sense of the meetings"<sup>38</sup>.

Voting quotas are currently valued, based on Standard Drawing Rights, (SDRs)<sup>39</sup>. SDRs were created to ensure that the IMF had the resources to support balance of payment difficulties of member countries<sup>40</sup>. The creation of these rights represented a departure from the traditional IMF role because under Article VI, the IMF's resources were not to be used to finance a large or sustained outflow of capital.<sup>41</sup> However, the IMF decided that a request from a member facing an outflow of capital would be acceptable, as long as appropriate measures were being taken to restore that member's balance of payment

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<sup>36</sup> Ferguson, *supra* note 15 at 65.

<sup>37</sup>International Monetary Fund, 39th Issue, 1 July, 1982 at 1.

<sup>38</sup>The 'sense of a meeting' has been criticised as a method of voting, however, this criticism will not be addressed here. This authority is found under Rule C-10 of the 'Rules and Regulations', for the Executive Board, and under Section 11 of the 'Bylaws', for the Board of Governors.

<sup>39</sup>The value of the SDR is approximately 1.08571 US dollar: *IMF Annual Report* 1972 at 2.

<sup>40</sup>Gold, *supra* note 10 at 10. In 1962, a special annex agreement with ten members, which was called the General Arrangements to Borrow, was established, where member countries would stand ready to provide special credits to the Fund. This agreement was in response to concerns that IMF member countries had, that if the U.S. made a large drawing, the IMF resources would be over-extended.

<sup>41</sup>Dam, *supra* note 1 at 35.



equilibrium<sup>42</sup>.

Although the creation of SDRs was an extension of the IMF's historical role, there were some pressing reasons for the institution of this system<sup>43</sup>. Prior to 1962, developing country members' terms of trade had fallen by 12.3%, and their 1954 deficit of \$2.2 billion dollars US had grown to \$6.2 billion dollars US. Their share of world exports had fallen from twenty-six to twenty-one percent<sup>44</sup>. As a result, the IMF established the Compensatory Financing Facility<sup>45</sup>, (CFF), which allowed members with balance of payment difficulties to make drawings up to twenty-five percent of their quotas<sup>46</sup>. Unfortunately, the CFF was unable to cope with the resource demands placed on it because of the use of import restrictions by industrialized members, as well as their growth reductions, due to falling export prices. Therefore, although the CFF continues to exist, because of its limited resources, and the difficulty involved in meeting the criteria for CFF

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<sup>42</sup>These appropriate measures include devaluation and monetary and fiscal policies, as will be discussed in Chapter Four.

<sup>43</sup>See generally Dam, *supra* note 1, at 151-169 for a full description of SDRs, their formulation and their uses.

<sup>44</sup>L. Asherman, "The International Monetary Fund: A History of Compromise", (1983) 16 Int. Law and Politics, 25 at 44.

<sup>45</sup>The CFF was established under Executive Board Decision No. 1477 (63/8) of 27 February, 1963, under Article V, Sec. 3 of the Articles.

<sup>46</sup>In addition to the CFF, the IMF also created the Buffer Stock Financing Facility, the Oil Facility (1974-76), the Trust Fund, (1977), and the Extended Fund Facility, (1979). Neither the Oil facility nor the Trust Fund still are in existence, and the Extended Fund facility was replaced with an Enlarged access Policy, (1981). These facilities seemed to generate an increase in IMF resource usage, according to David, *supra* note 5 at 19-22.



use<sup>47</sup>, it is not a largely available funding base<sup>48</sup>.

Further, SDRs were used to "obtain convertible currency from a participant designated by the IMF as obliged to purchase SDRs, to obtain equivalent amounts of a member's own currency held by another participant, and to make repurchase of a member's currency from the IMF"<sup>49</sup>. The SDRs allocation is made in direct proportion to the size of the member's quota. The quota determines a member's borrowing rights and primary lending commitments. Therefore, the quantum of the quota is probably *the* most crucial figure to an IMF member, should the member wish to participate in IMF transactions.

## **2. Fund Transactions**

Transactions through the IMF are comprised of exchanges of currencies through purchase and repurchase. In these transactions, the IMF exchanges "hard currency for a member country's soft currency - thereby reducing its fungible assets"<sup>50</sup>. The purchased currencies come from the quota contributions or from contributions from other members, under the

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<sup>47</sup>As will be described in Chapter Seven.

<sup>48</sup>Korner, *supra* note 8 Chapter One at 49-52, and 146-157.

<sup>49</sup>There are charges levied for using IMF resources, see Gold, *supra* note 40 at 24.

<sup>50</sup>Stiles, *supra* note 4 at 25.

"General Arrangements to Borrow"<sup>51</sup>. Members draw other member's currencies from the IMF by purchasing the foreign currencies in exchange for a further payment of their own currencies into the IMF. These drawings are permitted virtually automatically, up to the initial twenty-five percent member's gold contribution. Of course, all such drawings have to be repaid to the IMF.

If a member needs further foreign currencies, the IMF will continue to advance this currency, if the IMF is satisfied that the requesting member is taking steps to rectify its balance of payment problems<sup>52</sup>. Drawings from the next credit level, known as the "first credit tranche", may go as high as one hundred and twenty-five percent of the member's quota<sup>53</sup>. Any drawings beyond this level need extensive justification from the requesting member country. The normal drawing limit is two hundred percent of the member's

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<sup>51</sup>General Arrangements to Borrow will not be further discussed. See Dam, *supra* note 1 at 149-150.

<sup>52</sup>According to Dam, *ibid.* at 120, the IMF faced legal hurdles imposing conditionality on drawings of the upper credit tranches, but had its power confirmed by the Executive Board in the decision of March 10, 1948 (Decision of 10 March, 1948, *IMF Annual Report* 1948, at 98). Further, on March 17, 1948 (Decision of 17 March 1948, *IMF Annual Report* 1948 at 99), Article I was deemed to give the fund the purpose of "giving confidence to members by making the Fund's resources available under adequate safeguards". As a result, the IMF could review the representations of a potential drawing member to determine the time frame of the payments from the IMF, ensuring that they were temporary in nature.

<sup>53</sup>The Articles initially set a normal drawing limit of twenty-five percent of a member's quota, however, in 1950, this percentage was liberalized for drawings up to two hundred percent. This was primarily a response to assist staple exporting members, whose balance of payments fluctuations were due largely because of varying prices for commodities. See Gold, *supra* note 40 at 15. The first credit tranche drawings are subject to only minimal conditions for the member to get access to IMF resources.

quota<sup>54</sup>.

The Articles specify that there are no time limits for drawings, although the IMF requires a portion of any increases in monetary reserves to be used for repurchases, unless reserves are abnormally low<sup>55</sup>. All repayments must be completed within three to five years. In addition, any drawings made by standby agreements, discussed below, must be repaid within three years.

These payback requirements were developed as a response to the U.S. concern that IMF resources might be used on a long term basis by developing countries, for assistance in industrialization. In response, the Board of Governors interpreted the Articles to limit the use of IMF resources to "temporary assistance in financing balance of payments deficits on

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<sup>54</sup>The following is a description taken from David, *supra* note 5 at 23, which describes some of the various types of financial facilities of the IMF and their conditionality:

**Reserve Tranche:** Condition of access: balance of payment needs

**First Credit Tranche:** Program representing reasonable efforts to overcome balance of payments difficulties; performance criteria and instalments not used.

**Higher Credit Tranches:** Transactions requiring that member give substantial justification of its efforts to overcome balance of payment difficulties; resources normally provided in the form of stand-by arrangements that include performance criteria and drawings in instalments.

**Extended Fund Facility:** Medium-term program for up to three years to overcome structural balance of payments maladjustments; detailed statement of policies and measures for first and subsequent 12 month periods; resources provided in the form of extended arrangements that include performance criteria and drawings in instalments.

**Compensatory Financing Facility:** Existence of either a temporary export shortfall for reasons largely beyond the member's control or a temporary excess in the cost of cereal imports' member cooperates with Fund in an effort to find appropriate solutions for any balance of payments difficulties.

<sup>55</sup>As designated by the IMF, *ibid.* at 25.

current account for monetary stabilization operations<sup>56</sup>. The Articles themselves did not mention limiting IMF resources to temporary assistance; instead they specifically provided that the IMF's resources could be employed for the expansion of exports. Nevertheless, this IMF interpretation removed the possibility of the use of these resources for development of production facilities.

The IMF conditions access to its extended resources<sup>57</sup> on the adoption of a 'stabilization programme', also known as conditionality or adjustment, by the 'borrowing' member. The stabilization programme, which consist of performance criteria to be completed over a specified time frame, require members to use monetary and fiscal policies to decrease the demand for imports, which presumably releases resources for the balance of payments improvements. The IMF enforces these programmes by requiring members to enter into 'standby agreements' or arrangements, whereby members receive funds in instalments, and only receive the funds if the IMF is satisfied that its performance requirements are

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<sup>56</sup>In other words, the IMF would only fund temporary financial problems of any given member. Decisions made on the nature of stabilization programs which might be recommended for nations with balance of payment difficulties, and decisions as to whether or not a particular member qualifies for use of IMF resources are made by the Executive Board. The stabilization program recommended for a particular member is designed by the IMF staff. The staff also decide whether a member has complied with the conditionality terms of any standby agreements negotiated.

<sup>57</sup>Failure to meet performance criteria does not interrupt drawings in the gold tranche. See J. Gold, *Legal and Institutional Aspects of the International Monetary System* (Washington, D.C.: International Monetary Fund, 1979) at 36.

being met by the drawing member.<sup>58</sup>

Standby arrangements have been compared to commercial overdraft limits, inasmuch as they keep the "borrower" operational while waiting for positive economic circumstances. These agreements are negotiated before the member actually expects to make a drawing, and are dependant on the formulation of an agreed program, confirmed by an unpublished exchanges of letters. This "credit line" is guaranteed in exchange for a standing charge of one quarter per cent per year, and is credited proportionally against the service charge levied on 'purchases' made under the standby arrangements. If the full amount of the agreement is 'purchased', the IMF services have no cost to the member. Charges are paid in gold, US dollars, or the member currency<sup>59</sup>.

There are five stages of implementation of the standby arrangements. First, there is a request<sup>60</sup> for IMF assistance. Second, the IMF staff draws up a proposal under which it sets up its recommendations for the member to qualify for the use of IMF resources. If the request for drawing is beyond the gold tranche, under this second stage, performance criteria are designated for the member country. These criteria, which are designed in an

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<sup>58</sup>Borrowers of IMF funds are known as 'drawing members'. See Joseph Gold, *Standby Arrangements* (Washington, D.C.: International Monetary Fund, 1970) at 147.

<sup>59</sup> SDRs may be used to pay IMF charges in exceptional circumstances, David, *supra* note 5 at 15.

<sup>60</sup>The request will come from the member, or from IMF staff which have been already consulting and advising the member.



orthodox manner<sup>61</sup>, are promoted as a means for a drawing member to rectify balance of payment problems. They may take various forms including: limiting the amount of credit (credit ceilings) available in the member country<sup>62</sup>, ceilings on certain foreign borrowing, increasing taxes, decreasing government expenditures, and devaluing the member's currency<sup>63</sup>.

Once this proposal and its recommended performance criteria<sup>64</sup>, are approved by the Managing Director, an 'IMF mission'<sup>65</sup> holds conferences with monetary officials of the requesting member. This third stage involves negotiating the terms of adjustment that the drawing member needs to fulfill, hypothetically in order to rectify the balance of payments problems in their country. These negotiations, once complete, give rise to the fourth stage of implementation, which is the creation of a 'letter of intent'. This letter of intent outlines

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<sup>61</sup>IMF policies are a mixture of classical monetarism, Keynesian economics, and neoclassical world views. These policies are largely a function of Western philosophies on monetary systems, which, in itself, causes difficulties for members who do not subscribe to Western philosophical thoughts on development. These policies are also commonly known as orthodox economic theories. See David, *supra* note 5 at 7.

<sup>62</sup>Usually restricted on a quarterly basis. See T. Killick, ed., *The IMF and Stabilization: Developing Country Experiences* (New York: St. Martin's Press, 1984) at 4.

<sup>63</sup>Which makes imports relatively more expensive, which theoretically should cause member country consumers to switch consumption to domestically produced, similar products. Of course, if there are no domestic substitutes, the only accomplishment of this measure is higher prices for consumers.

<sup>64</sup>There are serious problems with the application of these performance criteria which will be analysed in subsequent chapters.

<sup>65</sup>An IMF mission is where a team of "experts" is assembled and goes to the requesting country to assess the reality of the economic situation of the requesting member's country.



the negotiated steps that the drawing member will undertake, in order to access IMF resources. The Managing Director receives the letter of intent, and accepts, amends, or rejects the letter<sup>66</sup>. If he accepts the letter, it is then forwarded to the Executive Board for acceptance, amendment or rejection. Although the Board technically has the power to amend or reject the letter, the letters are usually accepted<sup>67</sup>. Occasionally, however, a Board member may express concern about some feature of the agreement, but such expressions are typically futile<sup>68</sup>.

The last stage in the implementation of the standby arrangement, once the letter of intent has been approved, is the disbursements of funds. Initially, a portion of the disbursements is made available, with the balance being dispensed within six to thirty-six months. If a country does not follow the policies or intentions declared in its letter of intent, although it will not be in breach of any legal international obligation<sup>69</sup>, the IMF will simply not forward any further funds. If the disbursements are so stopped, new negotiations between the IMF and the drawing member are usually commenced, and may lead to either a revised letter of intent, or no further disbursements by the IMF. If further disbursements are not

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<sup>66</sup>Typically, the letter of intent is accepted, if only for the simple, although perhaps, inane reasons that much work has already gone into the implementations, and it would be politically damaging to the IMF to reject the letter.

<sup>67</sup>David, *supra* note 5 at 32.

<sup>68</sup>Dam, *supra* note 1 at 69.

<sup>69</sup>Standby Agreements are not legal obligations, *ibid*. However, if a member agrees to "consultation clauses", which are the drawing members obligations to supply information to the IMF, a legal obligation will be breached.

re-negotiated, the drawing member's international creditworthiness is placed in extreme jeopardy<sup>70</sup>.

In accordance with the principle that the IMF makes its resources available to members under adequate safeguards, a member declares the policies that it intends to follow, and the IMF decides whether the declaration justifies approval of the standby agreement requested by the member. Theoretically, these policies and declarations "should help a member to overcome its balance of payments problems, avoid the temptation to resort to measures detrimental to itself or to the general welfare, and help it to achieve and maintain a sustainable balance of payments position over a reasonable period ahead"<sup>71</sup>. However, for seventy-nine standby arrangements negotiated from 1963 to 1972, less than one-quarter of these arrangements have improved the member's balance of payments in a statistically significant manner, as will be discussed in Chapter Four. The criteria required in standby agreements are based on neoclassical economics, which is inherently based on the microscientific principles. Given the problems with microscience, IMF development application is not appropriate to achieve the two goals of financial and human growth. Thus, an examination of the actual effects of IMF policies on developing countries is in order.

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<sup>70</sup>See discussion, Chapter Four at 60-65.

<sup>71</sup>J. Gold, "Use of the International Monetary Fund's Resources: Conditionality and Unconditionality as Legal Categories"(1971) 6(1) *Jour. Int. Law and Econ.* 18 at 21.

## Chapter Four

As described in Chapter Two, one of the results of the application of microscientific development principles is the valuation of countries based solely on their economic wealth. Specifically, the IMF's application of reductionist development principles to drawing countries reduces them from sovereign nations, with policies designed to meet concerns of their populations, into the simple accounting entities, where economic changes in their numerical indices<sup>1</sup> are the primary focus of analysis. This concentration leads to damage to both a developing country's economic situation, as well as the lifestyles of the poor in these countries.

In order to understand these frequently injurious<sup>2</sup> effects, it is first necessary to understand what types of adjustment measures are required, as well as the economic efficacy of the measures. This Chapter sets out the adjustment measures required by the IMF, and the empirical evidence regarding the economic effects of conditionality. It further draws conclusions about the efficiency of conditionality as a means of improving the economic conditions of drawing members. The resulting effects of conditionality on the citizens of such countries will be discussed in Chapters Five and Six.

Chapter Three has shown that, in order for a drawing member to have access to IMF

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<sup>1</sup>Such as GNP, GDP, trade balances, and others.

<sup>2</sup>Payer, *supra* note 107 Chapter Two at 25.

funds, the member must comply with certain conditions which attach to the resources. Conditions imposed are represented by numerical targets, designated to be accomplished in a specified time frame, and include modifications of credit ceilings, reduced government expenditures (including subsidy reductions), increased taxes, devaluation of currencies, and other macroeconomic changes<sup>3</sup>. As the amount of financing needed by the drawing members increases, the nature of the conditions, and time frames required become more burdensome.<sup>4</sup> Although countries may be reluctant to subject themselves to these conditions because they tend to erode their sovereign decision making powers<sup>5</sup>, the drawing member may have no other choice but to go to the IMF for financing<sup>6</sup>.

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<sup>3</sup>In addition, the Fund may require the drawing member to comply with certain preconditions, and other "understandings", (which are unwritten conditions), that are not included in the actual letter of intent. For the purposes of this discussion, only the actual conditions contained in the letter of intent will be addressed. It should be noted, however, that these other IMF requirements increase the deleterious net effects of the IMF's stabilization and adjustment programmes, particularly in the short term. For a discussion on these preconditions and understandings, see, generally Payer, *supra* note 107 Chapter Two at 30-75.

<sup>4</sup>See generally Fred Z. Jaspersen, "Macroeconomic Adjustment Policy Issues", O. Hamouda, R. Rowley, B. Wolf, eds., *The Future of the International Monetary System, Change, Coordination or Instability?* (New York: M.E. Sharpe, 1987) 149 at 154-55, for a discussion on the increasing stringency of conditions.

<sup>5</sup>As will be discussed in Section One, Chapter Five.

<sup>6</sup>This is particularly true, because, as pointed out by Killick, there is no guarantee that the IMF will treat all drawing members the same, which may cause a disparate reduction in sovereignty. As Killick notes, "Executive directors, civil servants and members of the Fund's staff all agree that in practice there are considerable inequalities of treatment, affecting perhaps a quarter to a third of all agreements...if a country is thought to be of key political or strategic importance the Executive Directors of the more powerful countries may lobby the Managing Director, the result often being a softening of terms", Killick, *supra* note 62 Chapter Three at 205.

Initially, if a country has serious balance of payments difficulties, and, as a result, has difficulties paying for its outstanding debts, that country will require additional financing. However, the country faces limited options, because the balance of payment problems have the effect of cutting the member off from commercial credit sources. The member is thus cut off because it has become a greater credit risk<sup>7</sup>; the commercial lenders' confidence in the payback ability of the member is considerably reduced. Because of this, the commercial lenders will not disburse further funds unless they are assured that the borrowing country is attempting to improve its balance of payment problems. Although it is possible for a member government to take economic adjustment steps to increase lender confidence, typically an IMF standby agreement is necessary to re-establish member creditworthiness<sup>8</sup>.

Thus, in this manner, standby agreements play an important role by helping members raise external finance from commercial sources:

By committing its own resources in support of an adjustment program, the IMF certifies the appropriateness of a country's economic management and this endorsement tends to assure would-be foreign lenders and investors that the country's external account position is, or is approaching sustainability<sup>9</sup>.

The IMF-imposed constraints on the external borrowing operations of a country's public sector and on the extension of official guarantees to the external borrowing operations of

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<sup>7</sup>As there is a greater likelihood of default of payment by the member who effectively has no resources.

<sup>8</sup>David, *supra* note 5 Chapter Three at 25-27.

<sup>9</sup>Dam, *supra* note 1 Chapter Three at 22.

its private sector is seen as a type of guarantee to other lenders. This is because the IMF is in a better position than banks to condition access to its funds by requiring the pursuit of economic policies which have the promise of increased financial stability of the debtor countries. This increased perception of creditworthiness has been labelled the "IMF Seal of Approval"<sup>10</sup>, and greatly increases the availability of commercial credit to the member<sup>11</sup>. The IMF estimates that for every dollar a member received from its' sources, four more dollars would be available from private sources of funding<sup>12</sup>. Further, already existing member debts are only rescheduled by commercial banks upon the agreement of the member to IMF conditionality:

The rescheduling of annual debt servicing commitments through the London or Paris Clubs<sup>13</sup> will proceed only if an IMF agreement is in place, while a similar requirement is imposed as a general rule by the World Bank for access to

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<sup>10</sup>For example, see R. Edwards, Jr., "Is An IMF Stand-by Arrangement a 'Seal of Approval' on Which Other Creditors Can Rely?", (1984-5) 17 N.Y.U. Jour. Int. Law and Pol. at 22, and David, *supra* note 5 Chapter Three at 24.

<sup>11</sup> Payer, *supra* note 107 Chapter Two, indicates, at page x: "All of the major sources of credit in the developed capitalist world, whether private lenders, governments, or multilateral institutions such as the World Bank group, will refuse to lend to a country which persists in defying IMF 'advice'. The real importance of the IMF lies in the authority delegated to it by the governments and capital markets of the entire capitalist world."

<sup>12</sup>*Ibid.* at 26.

<sup>13</sup>The London and Paris Clubs are "two international forums for negotiating rescheduling agreements. . . In the Paris Club, an informal association of Western industrial nations, state and state-guaranteed loans are rescheduled. If, as is increasingly the case, debts to private banks play an important part in the debt crisis, the debtor country has to negotiate with a committee of the main creditor banks - often known as the London or New York Club. . .", Korner, *supra* note 8 Chapter One at 65-66.



#### Structural Adjustment Loans <sup>14</sup>.

Another IMF feature that increases commercial lender confidence in the debtor country is the 'Enhanced Surveillance Mechanism'<sup>15</sup>; the IMF will report to the lenders on the policies and economic outlook of a debt-extended member<sup>16</sup>. Because of this feature, "the once powerful IMF has largely been reduced to the role of debt collector on behalf of the international banks"<sup>17</sup>. Nevertheless, without IMF involvement in place, the debtor country virtually has no access to any sources of further funding. Therefore, to avert an imminent financial crisis, at least in the short term, countries effectively have no option but

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<sup>14</sup>Seamus O'Cleireacain, *Third World Debt and International Public Policy* (New York: Praeger, 1990) at 135 states: "The Paris Club required that its debt restructuring of loans from official creditors be condition on prior acceptance of a Fund programmes. Commercial bank restructuring were made contingent on debtor country acceptance of either an IMF adjustment programmes or Fund enhanced surveillance. A similar link exists with most of the World Bank's Structural Adjustment Lending."

<sup>15</sup>*Ibid.* at 116. O'Cleireacain describes enhanced surveillance as follows: "Under enhanced surveillance, the Fund gives its *imprimatur* to the debtor country adjustment programmes required by commercial banks as a condition for loan restructuring and the provision of new money. Enhanced surveillance does not involve an IMF loan. The size and maturity of the new commercial bank loans made possible when a country accepts enhanced surveillance exceed that of atypical IMF extended arrangements or Structural Adjustment Facility loans. As a result, the required balance-of-payments adjustment is not compressed into so short a period of time. However, even with declining spreads, interest rates on commercial loans still greatly exceed IMF rates". Therefore, if other funds are available, notably through the IMF, the debtor country may be inclined to take those monies first, due to the interest payable.

<sup>16</sup>This feature also increases the confidence of the lenders in the country's payback abilities. The Enhanced Surveillance Mechanism will not be further discussed because of the limited scope of this analysis. See *ibid.* at 114-117.

<sup>17</sup>Payer, *supra* note 107 Chapter Two at 134.

to agree to IMF conditionality. Unfortunately, the more money that the member requires, the more stringent the terms of the conditionality will be. The IMF does not have easily accessible low conditionality resources<sup>18</sup>.

Nevertheless, once the member has agreed to subject itself to IMF conditionality, the member must, both in the short and long terms, attempt to institute the macroeconomic policies, targets and time frames laid out in the IMF conditionality agreement<sup>19</sup>. These steps must be followed by the drawing member, because, as described in Chapter Three, the full amount of the standby agreement is disbursed in stages. To receive more than the initial disbursement, the member will be subject to IMF surveillance and reporting requirements. At various times during the course of the programme, the IMF will determine whether or not the member is complying with the agreement.

Express time frames for achievement of these goals are set, and are often short term in nature. Typically, these time frames range from six to thirty-six months, depending on the

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<sup>18</sup>The few low conditionality opportunities that the IMF does provide, like the Compensatory Financing Facility, (CFF), are poorly funded, and have almost unattainable conditions of access for developing countries.

<sup>19</sup>The recommendations of the IMF are made based on the principles of monetarism, which assumes a "well-defined" relationship between money, the balance-of-payments, and domestic prices, in which the supply and demand for money play a central linking role. However, as well be further examined, there are many authors who criticize monetarism and its assumptions: Sidney Dell, "The Future of the International Monetary System", Omar Hamouda, Robin Rowley & Bernard Wolf, ed., *The Future of the International Monetary System, Change, Coordination or Instability?* (New York: M.E. Sharpe, 1989) 201 at 216.

type of conditionality modifications that are required<sup>20</sup>. Often, because the period allowed for alterations is unrealistically short<sup>21</sup>, drawing members fail to comply with IMF requirements.

Should the IMF determine that the country is not meeting its targets and time frames, the balance of the draw will be cancelled<sup>22</sup>. Although these cancelled agreements can be renegotiated by the drawing member and the IMF, this is not a requirement. In addition, if commercial lenders learn of the cancellation of the conditionality agreement, it is likely that they, too, will not disburse further funds, which would lead to the member to be left entirely without financing.<sup>23</sup> Thus, there is significant economic incentive for the drawing member to comply with IMF conditions.

Specifically, the macroeconomic targets that are required by the IMF include: exchange

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<sup>20</sup>Dam, *supra* note 1 Chapter Three at 229-232.

<sup>21</sup>Killick, *supra* note 62 Chapter Three at 284-298.

<sup>22</sup>As described by Payer, *supra* note 107 Chapter Two at 12-25.

<sup>23</sup>It is likely that the domestic economic position that the member will be left with will be considerably worse than before it agreed to the conditionality, should the balance of the drawing be outright cancelled. This is because, as it will be shown further in the Chapter, what few benefits the IMF programmes have are gleaned on a longer term basis. In the short term, there will likely be a contraction in the country's economy. For a more specific description of the operations and design of the IMF, refer to Dam, *supra* note 1 Chapter Three at 115-169.

controls<sup>24</sup>, import restrictions<sup>25</sup>, devaluations, and deflationary monetary and fiscal policies<sup>26</sup>, control of bank credit, government deficit, wage raises, price controls, and greater hospitality to foreign investment<sup>27</sup>. Devaluation and deflationary monetary and fiscal policies are customarily used measures; some of the features and efficacy of these measures will now be considered<sup>28</sup>.

### 1. Devaluations

When a specific currency is valued higher than the value determined by the demand for that currency in international markets, the currency is designated as 'over-valued'<sup>29</sup>.

Payer<sup>30</sup> has described how these currency mechanisms function:

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<sup>24</sup>Because of the limited nature of this treatise, exchange controls will not be further considered. See Payer, *supra* note 107 Chapter Two at 14-22 for a discussion of exchange controls.

<sup>25</sup>Payer identifies tariffs, which are prohibitions on the import of certain goods or quotas and import licensing systems as types of import restrictions, as one type of exchange control that is commonly used, *ibid.* at 19.

<sup>26</sup>Only selected deflationary monetary and fiscal policies will be considered in this thesis, due to its limited scope.

<sup>27</sup>Payer, *supra* note 107 Chapter Two at 33.

<sup>28</sup>Because of the limited nature of this treatise, only devaluation, and selected monetary and fiscal measures will be considered.

<sup>29</sup>See Robert Chreneff, *Macroeconomics, Theory and Policy* (Scarborough Prentice-Hall, 1983) at 518-537 for a discussion of demand and supply of foreign exchange, and specifically, how contemporary economics determines currency value. In particular, see discussion of 'law of one price', at 525-526.

<sup>30</sup>Payer, *supra* note 107 Chapter Two.

Individuals and firms buy foreign exchange with their own currency for the transactions which they wish to carry out with foreigners. The price which they have to pay for it is the exchange rate . . . The supply of foreign exchange is determined by what the country is earning from its exports or receiving in the form of loans, gifts, and investments; the demand is determined by what people are willing to pay for imports or send out of the country as investment income or capital flight . . . If the supply and demand of foreign exchange at the official exchange rate is persistently out of balance the government . . . will encounter serious difficulties. In the case of persistent deficits in the balance of payments . . . the government's own holdings of foreign exchange will be exhausted by the perennial necessity to supply the gap by which demand for foreign exchange exceeds the supply<sup>31</sup>.

When the IMF determines<sup>32</sup> that a currency of its drawing member is over-valued, it will require the devaluation of that currency. In its simplest form, then, devaluation is the lessening of this value of the currency<sup>33</sup> relative to a given international standard<sup>34</sup>.

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<sup>31</sup>Payer, *supra* note 107 Chapter Two at 22.

<sup>32</sup>There has been much criticism regarding the method that the IMF uses to determine whether or not the currency of a drawing member is over-valued. See, for example, Jeffrey Sachs, "Social Conflict and Populist Policies in Latin America", National Bureau of Economic Research Working Paper No 2897, (Cambridge, Mass.: March 1989a) 105 at 112-115. Specifically, he find "that even situations where the relative value of the currency is justifiable", the IMF still requires devaluation. The methods used by the IMF to determine the 'correct' value of a currency can not accurately be determined, since, as discussed in Chapter Three, IMF documents are privileged. Thus, the techniques of determination used by the IMF will not be discussed here.

<sup>33</sup>Guralnik, *supra* note 1 Chapter One at 385.

<sup>34</sup>Devaluation is as follows: "Devaluation operates by either increasing the domestic currency price, or reducing the foreign currency price of exports. It generates price incentives which tend to lower domestic demand for imports expressed in foreign exchange, raise domestic demand for and supply of import substitutes, increase foreign demand for exports, and or lower the domestic demand for and increase the production of exportables. The responses to these price changes depend on a range of demand and supply elasticities.", Killick, *supra* note 62 Chapter Three at 100.



This technique is, in theory, an expenditure switching device, which attempts to improve balance-of-payments problems by altering consumption and export patterns of populations. When a country's currency is overvalued, its exports are relatively more expensive than other country's exports and as a result, the demand for its exports is lowered. In addition, if the country's currency is overvalued, that country's consumers may be inclined, or just as inclined, to purchase imports, rather than local products. To offset this, when currency devaluation is undertaken, the following two main effects will hypothetically be achieved<sup>35</sup>.

First, the developing country's exports become less expensive to purchasers who are purchasing with foreign currency. Its exports should increase, as a result. Second, the country's consumers will be more inclined to buy locally switchable<sup>36</sup> products<sup>37</sup>, which will reduce the necessity for high levels of foreign exchange, thus reducing the balance-of-

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<sup>35</sup>*Ibid.* at 104.

<sup>36</sup>The economic term, "switchable" is used to indicate that there are reasonable substitutes produced in the local economy, which the consumers will purchase, if the price is relatively lower than the similar import. There are a number of assumptions that must be in place, before these products are consumptively switched, including demand elasticities, which will be further discussed. See *ibid.* at 89 for a more specific discussion of 'switchable' goods.

<sup>37</sup>The reduced demand for imports is known as "import substitution": "Import substitution is a government policy that forces consumers to replace imports with locally produced goods and services . . . the problem is that most countries cannot produce efficiently without the help of imported computers, or tractors, and the whole economy suffers for lack of productive tools . . . those countries needing to export the most usually end up producing non-competitive products for the world markets.", R. C. Epping, *A Beginner's Guide to the World Economy, Seventy-one Basic Economic Concepts That Will Change the Way You See the World* (New York: Vintage Books, 1992) at 117.



payments deficit created because of the over-demand of foreign currencies. The willingness of the population to alter their purchase patterns is known as the 'elasticity of demand'. Similarly, the willingness of the producers to alter their production and supply patterns is known as 'elasticity of supply'. It is the alterations of these patterns, or the manipulation of elasticities, that are attempted by devaluation<sup>38</sup>. Payer describes devaluation as "an alternative solution . . . intended to restrict imports by raising the price in domestic currency of *all* imports and will (in theory) give exports a boost by permitting export producers to lower their selling price in foreign exchange without losing income in domestic prices<sup>39</sup>."

The IMF frequently uses this technique to address the member's balance-of-payments difficulties. Specifically, the IMF "now almost invariably *demand*s devaluations to spur

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<sup>38</sup>For a more complex analysis of elasticities of supply and demand, please refer to James P. Quirk, *Intermediate Microeconomics*, 2d ed. (Chicago: Science Research Associates, 1982) at 31-55. Quirk defines elasticities as follows: "The elasticity of demand or supply for a good . . . is defined as the percentage change in the quantity demanded or supplied of the good per unit of time for a one percent change in a given variable (such as own price, price of another good or income)", at 36. He defines the elasticity of demand to be the percent change in the quantity demanded divided by the percentage change in price, at 36. He further defines the elasticity of supply as the percentage change in quantity supplied over the percentage change in price, at 39. He further suggests that if there are easily substitutable goods, for the goods being price modified, the demand for the goods will be relatively price elastic, meaning that substitution is likely to occur, (with elasticity being greater than 1) at 38. Similarly, supply is elastic if a change in price gives rise to a change in supply, (again, elasticity being greater than one). An inelastic supply or demand means that, no matter what happens to price, supply or demand remain the same, at 40. Market equilibrium occurs when the supply equals the demand for any product, service, commodity or other saleable items. Of course, this theory requires a perfectly competitive market to be valid.

<sup>39</sup> Payer, *supra* note 107 Chapter Two at 18.

the growth of the tradeable sector"<sup>40</sup>. Edwards<sup>41</sup> finds that the IMF uses devaluation routinely, and on an increasing basis; whereas only thirty percent of upper-credit tranche programs between 1963 and 1972 included a devaluation, that proportion rose to fifty percent between 1977 and 1980. Further, Edwards notes that seventy-nine percent of programs approved in 1983 included a devaluation. Other authors suggest that the proportion of programs with devaluations has been more than seventy-five percent since 1980<sup>42</sup>.

Even though the IMF uses devaluation very frequently, the actual efficacy of devaluation<sup>43</sup> as a means of achieving financial stability for developing countries has been the subject of much concern. There are some fundamental problems with devaluation, as a balance-of-payments, deficit-reducing strategy.

First, devaluation cannot be completed without consideration of other external factors affecting the devaluing country. It will only be an effective strategy if other economic

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<sup>40</sup>Sachs, *supra* note 32 at 114.

<sup>41</sup>S. Edwards, "The International Monetary Fund and the Developing Countries A Critical Evaluation" *National Bureau of Economic Research (NBER) Working Paper Series*, no. 2909, March 1989, 22 at 27-28.

<sup>42</sup>See David, *supra* note 5 Chapter Three at 91. These figures do not even include those agreements whereby devaluation is agreed to as a precondition, or an understanding, which are not listed in the letter of intent. Therefore, this figure could even be significantly higher than that cited here.

<sup>43</sup>In this section only real devaluation, as compared to nominal devaluation (which is the exchange rate adjusted for a country's rate of inflation relative to the foreign rate), will be the topic of discussion.

measures, such as the deflationary monetary and fiscal policies, discussed below, are effectively implemented at the same time that the devaluation takes place. If these other measures are not effective, devaluation is also unlikely to be effective.<sup>44</sup> Since microscientific development, by definition, does not consider external factors, the consideration of other economic measures is sparse, at best<sup>45</sup>.

Second, the efficacy of devaluation depends on the elasticities of import and export demand and supply of both the devaluing country, and the countries of export. Even though "devaluation will raise the domestic currency price and the profitability of exporting, thereby emphasising the importance of elasticity of supply<sup>46</sup>," in order for the devaluation to have a positive effect on balance-of-payments, the increased profitability would have to be returned into the country. Due to the fact that many exporters are controlled by multinational companies, it is unlikely that the profits will be reinvested in the country; it is more likely that the profits will be absorbed by the multinationals.<sup>47</sup> This is because profits from subsidiaries are often transferred back to parent companies, via 'higher than market-price' transfer pricing, loan repayments at 'higher than market'

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<sup>44</sup>See generally Killick, *supra* note 62 Chapter Three at 100-115. Budhoo suggests that devaluation is usually coupled with various monetary and fiscal strategies. However, as will be discussed, other costs, and particularly the further disenfranchisement of developing country women, are associated with devaluation. See Davidson Budhoo, *Enough is Enough, Dear Mr. Camdessus . . . Open Letter of Resignation to the Managing Director of the International Monetary Fund* (New York: Apex, 1990) at 24-53.

<sup>45</sup>David, *supra* note 5 Chapter Three at 92.

<sup>46</sup>Killick, *supra* note 62 Chapter Three at 100.

<sup>47</sup>According to David, *supra* note 5 Chapter Three at 90-95.

interest rates, monopolies on expertise of production facility, and other 'profit pilfering'<sup>48</sup> arrangements by the parent company. If profits from the subsidiary are thus 'relocated', the developing country will not be economically better off than before the devaluation<sup>49</sup>.

Third, because there are often no comparable local products that the consumers can switch to, the net effect of the devaluation is simply higher prices for consumers, rather than a change in consumption products and patterns; "in the case of imports, the demand in the (developing countries) is often assumed to be price-inelastic, reflecting the developmental nature of imports"<sup>50</sup>. If price elasticities of both imports and exports are less than zero, the devaluation will have marginal success.

The empirical evidence tends to support the conclusion of inappropriateness of microscientific development. Edwards and Santaella<sup>51</sup> undertook an empirical study to determine the efficacy of devaluation programmes. This study examined the devaluation episodes of forty-eight countries, including both IMF and non-IMF devaluers, spanning a three-year time period before and after devaluation<sup>52</sup>.

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<sup>48</sup>Budhoo, *supra* note 44 at 24.

<sup>49</sup>*Ibid.* at 26.

<sup>50</sup>Killick, *supra* note 62 Chapter Three at 101.

<sup>51</sup>Sebastian Edwards & Julio Santaella, "Devaluation Controversies in the Developing Countries: Lessons from the Bretton Woods Era", Michael D. Bordo & Barry Eichengreen, *A Retrospective on the Bretton Woods System, Lessons for International Monetary Reform* (Chicago: University of Chicago Press, 1993) 420.

<sup>52</sup>The countries included in the study were selected on the following criteria: the adjustment of the official rate had to exceed 14% the devaluation must have

The episodes of devaluation were categorized as successful, limited success or unsuccessful. The categorizations were made considering the results of real exchange rate changes, increases in net foreign assets of the monetary system, and the changes in the current account as a percentage of GDP. The data was collected three years after the devaluations took place. The episode was defined as a failure if, in any of the three years after the devaluation, more than 90% of the real exchange rate effect of the devaluation had been eroded, and the net foreign assets position and the current account positions had deteriorated. Limited success was found where either the foreign assets or the current account had some improvement, even if the real exchange rate effect had been eroded.

Specifically, this study found that there were eight successful, eight limited success and six failure episodes among non - IMF devaluers, and eight successful, six limited success, and twelve unsuccessful episodes among IMF devaluers, (See Table 4.1). Four of the unsuccessful IMF programmes were cancelled before completion<sup>33</sup>. Based on the criteria set out in this study, there were more failures amongst the IMF devaluers than for non-IMF devaluers.

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occurred after a period of at least two years where the country had a fixed exchange rate and the country in question must have had a population of at least one million people in the year of the devaluation, *ibid.* at 438-440.

<sup>33</sup>Argentina, 1955, 1970, Peru: 1958, and Yugoslavia: 1971, *ibid.* at 438.

Table 4.1 <sup>54</sup>  
Successful and Unsuccessful Devaluation Episodes<sup>55</sup>

| Country<br>Non- IMF Devaluers | Year | Country<br>IMF devaluers | Year |
|-------------------------------|------|--------------------------|------|
| <b>1. Successful:</b>         |      |                          |      |
| India                         | 1966 | Columbia                 | 1967 |
| Israel                        | 1962 | Ecuador                  | 1970 |
| Korea                         | 1964 | Ghana                    | 1967 |
| Malawi                        | 1967 | Mexico                   | 1954 |
| Sierra Leone                  | 1967 | Philippines              | 1962 |
| Spain                         | 1679 | Philippines              | 1970 |
| Turkey                        | 1958 | Spain                    | 1959 |
| Venezuela                     | 1964 | Turkey                   | 1970 |
| <b>2. Limited Success</b>     |      |                          |      |
| Chile                         | 1962 | Columbia                 | 1957 |
| Israel                        | 1967 | Costa Rica               | 1961 |
| Jamaica                       | 1967 | Egypt                    | 1962 |
| Korea                         | 1960 | Peru                     | 1967 |
| Nicaragua                     | 1955 | Tunisia                  | 1964 |
| Pakistan                      | 1955 | Zaire                    | 1967 |
| Sri Lanka                     | 1967 |                          |      |
| Trinidad-Tobago               | 1967 |                          |      |
| <b>3. Unsuccessful</b>        |      |                          |      |
| Argentina                     | 1955 | Argentina                | 1959 |
| Argentina                     | 1970 | Argentina                | 1962 |
| Columbia                      | 1965 | Brazil                   | 1967 |
| Ghana                         | 1971 | Columbia                 | 1962 |
| Israel                        | 1971 | Ecuador                  | 1961 |
| Uruguay                       | 1959 | Indonesia                | 1970 |
|                               |      | Peru                     | 1958 |
|                               |      | Uruguay                  | 1963 |
|                               |      | Uruguay                  | 1971 |
|                               |      | Yugoslavia               | 1961 |
|                               |      | Yugoslavia               | 1965 |
|                               |      | Yugoslavia               | 1971 |

The authors of the study have suggested that the reason for this outcome is that "authorities did not implement, alongside the devaluation, consistent macroeconomic

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<sup>54</sup>The methodology involved in this study will not be described here, however, it is important to note that since only forty -eight samples were taken, the statistical significance of these figures will not be particularly valid. In addition, the latest devaluation episode considered in this study was for the 1971 year. Further research should be completed regarding the effects of devaluation programmes on more recent devaluers, although it is beyond the scope of this thesis to complete this research.

<sup>55</sup> Santaella, *supra* note 51 at 438.



policies.”<sup>56</sup> The authors further suggest that the results arise because the countries in question were more politically unstable than the non - IMF devaluers. Although the authors provide information on politically motivated strikes, demonstrations, riots, repression of dissidents, government transfers and coup attempts<sup>57</sup>, they do not separate the data for IMF and non - IMF devaluers, thus making the data of limited use for comparison purposes.

Presumably, there are reasons for the lack of success of devaluations, but the authors have not identified these. Perhaps, as suggested by David<sup>58</sup>, when countries approach the IMF for funding, they are in a worse economic position than countries that devalue on their own initiatives. Alternatively, this data could be explained by the fact that commitment of IMF member countries to IMF- imposed devaluations may be less than the commitment to self-imposed devaluations<sup>59</sup>. Without information on the relative indebtedness, or the commitment levels of the sample governments<sup>60</sup>, the results are ambiguous.

Further, the results of this study are indeterminate for two reasons. First, there were no comparisons made between the sample, and a non-devaluing control group, for both the

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<sup>56</sup>*Ibid.* at 439.

<sup>57</sup>*Ibid.* at 440-441.

<sup>58</sup>David, *supra* note 5 Chapter Three at 45.

<sup>59</sup>Ferguson, *supra* note 15 Chapter Three at 219.

<sup>60</sup>Which, of course, would be virtually impossible to quantify.

one and the three year time frames considered. If it could be shown that those countries which did not devalue their currencies suffered a statistically significant difference in changes in current account balances and net foreign assets (i.e., statistically more or less growth in these factors, as compared to devaluers), then the results would be less vague.

Next, the other macro-economic policies that were instituted along with the devaluations are not described by the study. If countries instituted varied macro-economic changes, these would have made a significant difference in the actual efficacy of the devaluation. In addition, there may also be some criticisms as to the validity of the measures used to show progression or regression in the devaluers economies. There are differences of opinion as to whether these, or other variables are truly representative of economic improvement<sup>61</sup>.

Even considering the limitations of the data provided in this study, one important conclusion can be drawn from the empirical evidence; the prospects for economic improvement for a drawing country, using devaluation, are poor. Both IMF and non-IMF devaluers had marginal economic success with devaluation measures. Despite the low probability of success, however, the drawing member must agree to *all* devaluations proposed by the IMF, in order to access IMF funding.

In addition to this empirical evidence, other authors have criticized the efficacy of devaluation as a means to improve economic conditions of developing countries. For

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<sup>61</sup>For example, Purchasing power, GNP, net outstanding debt, GDP, Relative Labour Unit Cost, and others are alternative measures which could be equally valid representations of economic positions.

example, David<sup>62</sup> criticizes the use of devaluation because he suggests that it is only effective when used with consideration of the specific country's economic structure, namely its elasticity and ability to create switchable<sup>63</sup> products. In his opinion, the IMF's use of devaluations usually indicates a general lack of consideration of the elasticities of the country and its export target countries.

Payer<sup>64</sup> further suggests that even if the elasticities of exports were relatively strong, the country still would probably not benefit from the devaluation:

[Devaluation] does not necessarily work out as well in practice as theory says it should. Imports for which there is a strong demand will be imported even at the new exchange rate; consumers may not be willing, or able, to buy local products in preference to the imported, local producers may not be able to manufacture import-competitive products at short notice, and some items they may not be able to produce at all. Similarly, it is an empirical fact that in a large proportion of cases, exporters merely pocket a higher profit at the new exchange rate and do not lower their export prices in response to devaluation . . . . Further, many primary-product exporting countries have discovered that if the exporters *did* lower their dollar prices, the country would actually lose income, if the international buyers are already taking as much as the country can produce at the higher price!<sup>65</sup>

Payer does not expect that the elasticities of supply and demand will be sufficient to have devaluation make a meaningful, positive effect. Typically, devaluation will not improve the economic situation of the devaluing countries.

In addition, developing countries will not experience substantive benefits from

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<sup>62</sup>David *supra* note 5 Chapter Three at 88-92.

<sup>63</sup>'Switchable' essentially means easily substitutable, *ibid.* at 115

<sup>64</sup>Payer, *supra* note 107 Chapter Two at 18.

<sup>65</sup>*Ibid.*

devaluation, for two other reasons<sup>66</sup>. First, developing countries usually are not producing, or are not capable of producing switchable products, therefore the demand for imports will be relatively inelastic. Second, since developing countries typically export limited commodities and relatively unprocessed goods, most of which have competition from neighbouring countries, the elasticity of demand for their exports will be limited. The net result will be higher domestic consumer prices, and lower incoming export revenues. This will have a contractionary effect on the economy, and a deleterious effect on the lifestyle of consumers<sup>67</sup>.

This contractionary effect on developing countries, according to Sachs<sup>68</sup>, will be further accentuated by the reactions of international markets to the devaluations. He states:

Recent theoretical studies have stressed that a government that too freely resorts to devaluation sacrifices its long-term reputation as an inflation fighter. The private sector repeatedly anticipates *future* devaluations by marking up their own prices in advance of an exchange rate change. The monetary authorities then respond by undertaking the devaluation that was widely expected. Since this sequence is then repeated, the result is ongoing inflation with no benefit to the underlying real exchange rate. It is much better, in these models, for the government to find ways to *foreswear* future devaluations in order to convince the private sector not to mark up prices in anticipation of a future exchange rate change<sup>69</sup>.

Thus, the net effects of devaluation may be further reduced, due to the private sector anticipation of the actions of devaluing countries.

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<sup>66</sup>*Ibid.* at 18-20.

<sup>67</sup>David, *supra* note 5 Chapter Three at 91-92.

<sup>68</sup>Sachs, *supra* note 32 at 110-119.

<sup>69</sup>*Ibid.* at 115.

Second, another criticism of the considerable IMF use of devaluation is that the IMF does not address the fact that price distortions occur because of both external and internal reasons<sup>70</sup>. The IMF assumes that all price distortions are caused by internal overvaluation, even though there is no empirical evidence to support this assumption<sup>71</sup>. However, rather than tailoring its package of required conditions to the individual circumstances of each country, adjustment is generally applied in the same formulation for virtually every drawing country<sup>72</sup>. Dell<sup>73</sup>, for example, states:

Generalized devaluation should not be regarded as the standard remedy for balance-of-payments difficulties, especially where such difficulties are accompanied by falling production and employment, by supply bottlenecks in particular sectors, or by factors of external origin for which the deficit country is not responsible<sup>74</sup>

Killick also suggest that all drawing members should not be treated in this uniform manner<sup>75</sup>. Clearly, each country that is in financial difficulty will have differing internal and external strengths and weaknesses. The countries must individually be considered, as part of the actual environment in which they exist. However, the microscientific nature of development economics makes this consideration an impossibility. Microscience can only provide answers to a finite, clearly delineated set of problems. It cannot deal with the contingent.

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<sup>70</sup>David, *supra* note 5 Chapter Three at 224.

<sup>71</sup>*Ibid.* at 225.

<sup>72</sup>Dell, *supra* note 19 at 94.

<sup>73</sup>*Ibid.*

<sup>74</sup>*Ibid.*

<sup>75</sup>Killick, *supra* note 62 Chapter Three at 282-298.

The IMF has attempted to justify itself against criticisms of its regular use of devaluations:

It is true that the Fund aims at correcting price distortions in order to provide the right signals to producers and consumers and, more generally, at providing an environment conducive to growth. Because the most important source of price distortions often results from an over- appreciated exchange rate, the Fund is often encouraging countries to depreciate their exchange rates to realistic levels . . . what is important is not a one-time adjustment of the exchange rate but the maintenance of a realistic exchange rate over time, which cannot be achieved without financial discipline and restraint of monetary expansion<sup>76</sup>.

The IMF's response to devaluation criticisms sidesteps the problems of producers and consumers in developing countries. The empirical evidence suggests producer's exports are worth less foreign currency, with no typical increase in demand. Their profits have fallen. Consumers find that prices of goods are higher. To suggest that these are signals, let alone "the right kind of signals" is misleading. An environment of decreasing profits and increasing costs is not "conductive to growth"<sup>77</sup>. Unfortunately, although this justification is unacceptable, the real reasons for the increased use<sup>78</sup> of devaluations are not likely to be discovered, since none of the IMF documents can be examined<sup>79</sup>. Accordingly, it is difficult to draw any conclusions as to why the IMF continues to use devaluation extensively as an adjustment condition, in light of the empirical results.

The articulation of criticisms of devaluation has not been recognized by the IMF; it has not

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<sup>76</sup>David, *supra* note 5 Chapter Three at 25.

<sup>77</sup>*Ibid.* at 82.

<sup>78</sup>*Ibid.*

<sup>79</sup>The International Monetary Fund does not even release documents that are ten years and older!



stopped requiring devaluation on an ongoing basis. It seems that because of the IMF's position of relative strength, as compared to the funding-seeking developing countries, there is no incentive for IMF policy modifications. The reality of the situation is this: IMF resources are allocated based on the members willingness to follow IMF policies. If these policies are not followed, the resources will not be disbursed. It is a matter of power.

From the foregoing, it can be surmised that devaluations, whether IMF promoted or not, are not a particularly effective method of bettering the economic position of the devaluing country. Despite this, the IMF uses devaluation on an ongoing, increasing basis, and usually in conjunction with inappropriate monetary and fiscal policies, described below, which have a similarly dismal prospect of success.

## **2. Monetary and Fiscal Policies**

Monetary and fiscal modifications are also regularly recommended to drawing members by the IMF:

A 1986 IMF staff study of the ninety-four Fund-supported adjustment programmes showed . . . all but eight of them involved restraint on government current expenditures . . . Wage and salary restraints were contained in 63 percent of the programs; transfer payment and subsidy restraints were found in 61 percent of them.<sup>80</sup>

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<sup>80</sup>International Monetary Fund, *Fund-supported Programs, Fiscal Policy and Income Distribution*, IMF Occasional Paper no. 46, September 1986 at 2 and 22-23, as found in O'Cleireacain, *supra* note 15 at 137.

As described previously<sup>81</sup>, these changes include the use of credit ceilings, reduction in government spending, reduction of subsidies and wages, price controls and increases in taxation<sup>82</sup>. These alterations are known as "demand-adjusting" techniques, as they tend<sup>83</sup> to change the demand for foreign exchange, by reducing the amount of resources available. As a result, hypothetically, the population will spend less. Of course, one of the basic premises of this theory is that there is a 'perfect market'<sup>84</sup>, with high demand and supply elasticities. It is well known by economists that consistently high elasticities and a perfect market are a theoretical fictions<sup>85</sup>. If populations do not have high elasticities, the techniques will not have their anticipated effects<sup>86</sup>. Clearly, in using these assumptions as a starting point for its monetary and fiscal recommendations, the IMF's conclusions will be erroneous, as the basic premises are faulty<sup>87</sup>.

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<sup>81</sup>Payer, *supra* note 107 Chapter Two at 16.

<sup>82</sup>The specific effects of the various monetary and fiscal policies cannot be specifically addressed, due to lack of research in this area. For example, there are no statistics regarding the amount of programmes using specified credit ceilings, or increased taxes. Thus, no specific details regarding each policy's actual effect are available. A logical reason for this lack of statistical information is the immunity from disclosure of documents that the IMF has.

<sup>83</sup>According to contemporary economic theory, see Quirk, *supra* note 38 at 38.

<sup>84</sup>See *ibid.* at 36, for a definition of a 'perfect market'.

<sup>85</sup>For example, see *ibid.* at 36-54, and Dell, *supra* note 19 at 216-218.

<sup>86</sup>As will be discussed below.

<sup>87</sup>These policies, are based on the principles of monetarism. However, as pointed out by Dell, *supra* note 19 at 216-217, there are a number of problems with monetarism. For example: 1. Correlations between the supply of money and levels of expenditure do not indicate the direction of causality, even if there is a time lag between the former series and the latter; 2. While narrow definitions of the money supply are not very useful for most purposes, broad definitions are arbitrary and

Although it is not the purpose of this treatise to analyse the economic foundations used by the IMF in structuring its adjustment programmes, it is important to note that other criticisms of this model have been made<sup>88</sup>. In particular, many of the poor empirical results<sup>89</sup> of IMF conditionality have been attributed to the fact that the IMF economic model is too simplistic and makes incorrect economic assumptions regarding what steps must be taken in pursuit of economic stability<sup>90</sup>. For example, Sachs finds that IMF policies and models are rudimentary and unsophisticated for both the short and medium terms. He characterizes IMF theories as "crude and imprecise."<sup>91</sup> Similarly, David states:

The Fund's version is based on a set of more or less simple models, . . . heavy

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money supply broadly defined is surrounded by a halo of liquid assets that are not included but are nevertheless close substitutes for assets that are included. 3. It is not the money supply however defined that is relevant to spending decisions but liquidity in the widest senses, including not only money but money substitutes. And liquidity in this widest sense is not under the control of the monetary authorities. 4. In a credit economy the fact that a substantial proportion of bank money is idle breaks the link between the total quantity of money and that part of it which is circulating. Insofar as monetary controls are effective at all, it is the rate of interest that is important and not the total quantity of money, however defined. 5. If output is below capacity levels, it is likely that an increase in money supply will be non-inflationary and that the effect will be a rise in output. 6. Godhart's law: any measure of the money supply that is used as a basis for an attempt at official control quickly loses its meaning. 7. It is incorrect to group all forms of inflation together as being induced by a single factor - an increase in the money supply. In deciding on the remedy for inflation, it is essential, as noted earlier to distinguish between demand inflation and cost inflation, and to adapt the remedies accordingly.

<sup>88</sup>See generally David, *supra* note 5 Chapter Three at 80-92, S. Dell & I. Roger, *The Balance of Payments Adjustment Process in Developing Countries* (New York: Pergamon Press, 1980) at 20-55, and Jaspersen, *supra* note 4 at 149-159.

<sup>89</sup>Including devaluation, discussed above, and monetary and fiscal policy changes, discussed below.

<sup>90</sup>David, *supra* note 5 Chapter Three at 55-56.

<sup>91</sup>Sachs, *supra* note 32 at 113.

reliance is placed on the familiar quantity theory of money identity, in which national income or output equals the money supply multiplied by the velocity of circulation . . . The model's basic conclusion, therefore is that balance-of-payments deficits occur because domestic credit expansion must be offset by reductions in international reserves. This must follow if money and income are to remain in equilibrium. The policy conclusion, which continues to influence IMF stabilization programs, is that balance-of-payments disequilibrium are correctible by limiting the expansion of domestic credit. This is not supportable<sup>92</sup>.

The inappropriateness of the IMF model is doubtless one of the reasons that conditionality gives rise to poor empirical results. However, because notions of development are based on microscientific principles, it is not surprising that these results occur.

Another common microscientific conditionality requirement of the IMF is that government expenditures be reduced<sup>93</sup>. Typically, along with other expenditures, funds spent on the poor are decreased. This causes further impoverishment of the poor and directly affects the survival of this group<sup>94</sup>. Undernourishment, starvation, decreased quality of life, and other undesirable changes<sup>95</sup> often result, because of these reductions. Unfortunately, irrespective of these consequences, the governments of the drawing members must attempt to institute the requisite IMF programmes, because they desperately need IMF

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<sup>92</sup>David, *supra* note 5 Chapter Two at 57.

<sup>93</sup>G. Cornia, R. Jolly & F. Stewart, eds., *Adjustment with a Human Face, Protecting the Vulnerable and Promoting Growth*, Vol. 1 (Oxford: Clarendon, 1987) at 52.

<sup>94</sup>Specifically, as used by Shiva, *supra* note 11 Chapter Two, survival costs mean people are being undernourished, or even dying because of lack of basic necessities.

<sup>95</sup>Giovanni Andrea Cornia, "Adjustment Policies 1980-1985: Effects on Child Welfare", in *supra* note 93, 48 at 69-71.

funds for financing and refinancing of existing debts<sup>96</sup>.

These reductions in the poor's ability to survive<sup>97</sup> which are associated with expenditure reduction take place in vain, because the empirical results of IMF- expenditure reducing programmes are unsatisfactory<sup>98</sup>. Cornia<sup>99</sup> completed a study examining the effects of IMF assistance<sup>100</sup> on a sample of African, Latin American, Asian, and developing European countries<sup>101</sup>, examining the variables of per capita growth rates, changes in per capita growth rates, changes in real investment, and changes in current account balances.

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<sup>96</sup>Refer to Glossary for commonly used economic terms, as extracted from Epping, *supra* note 37 at 115-153.

<sup>97</sup>Which will be described in Chapter Five. See Shiva, *supra* note 11 Chapter Two at 40-83.

<sup>98</sup>For example, Killick states: "A. There is a general tendency for IMF programmes to be associated with a reduced basic of overall balance-of-payments deficit. However the achieved improvement often falls short of programmes targets, which appear to be often over-ambitions, B. The known statistical significance of the tendency towards an improved balance is slight, C. There is no evident trend in the results over time", Killick, *supra* note 62 Chapter Three at 235.

<sup>99</sup>For other, older studies, considering similar variables, see Donal Donovan, "Macroeconomic Performance and Adjustment under Fund Supported Programmes: the Experience of the Seventies" (1982) 29(2) *IMF Staff Papers* 1 at 12 and Thomas Reichmann, "The Fund's Conditional Assistance and the Problems of Adjustment", (1978) *Finance and Development*, 15(4) 14 at 15. For an analysis of the IMF programmes on inflation, please refer to Thomas Connors, "The Apparent Effects of Recent IMF Stabilization Programmes", *International Finance Discussion Paper no. 135* (Washington: Washington Federal Reserve, 1979) 1 at 3.

<sup>100</sup>The specific results of individual macroeconomic factors were not analysed in these cases, largely because that information was either unavailable or impossible to access through the IMF. It must be kept in mind, however, that the effects of devaluations of countries in the study would also be included in the results Cornia produced.

<sup>101</sup>For a complete listing of countries included in the study, refer to Cornia, *supra* note 95 at 69-70.

The number of countries included in the results of each variable were dependant on the number of countries for which data was available<sup>102</sup>.

Cornia examined the number of positive and negative (insignificant) growth rates of GDP per capita for each year from 1980 to 1985. The results show that it was highly probable, in these years, for GDP to *decrease* in the year after the IMF programmes were instituted. However, as Cornia notes, "this might not be indicative of a deflationary bias in prevailing programmes, but rather of the economic problems leading the countries to request the assistance of the Fund<sup>103</sup>." To address this possibility, Cornia next analysed the changes in growth rate of GDP per capita in the first year of the IMF programmes. The results of this supplementary analysis show that in 71 out of 124 cases considered, the growth of GDP per capita either was *reduced*, or was *not improved significantly*. Out of 53 cases for which improvements were found, 22 cases had *relatively slowed growth*<sup>104</sup>.

When read in conjunction with each other, these statistics indicate that in the short term, GNP was more likely to deteriorate rather than improve. Further, for IMF-assisted countries, sixty-two percent of the sample had negative or insignificant growth in rates in GDP in the first year of the programme, and fifty-seven percent experienced negative or insignificant changes in per capita growth rates. This indicates that the actual growth of

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<sup>102</sup>Refer to Cornia, *ibid.* at 48-73 for the specific tabled results.

<sup>103</sup>*Ibid.* at 60.

<sup>104</sup>*Ibid.* at 69-72.



the drawing country's domestic and international activities, such as exports, imports, income from foreign operations and domestic production of goods and services, *decreased*. As a result, positive changes in the short-term economies would have to be achieved through the decrease of imports into the country<sup>105</sup>. If the imports to be decreased are not easily switchable for domestic products, and are 'essential' products for population survival, the well-being of the population will necessarily suffer, at least in the short term.

Next, Cornia examined the changes in real investment levels for the IMF- assisted sample countries, to determine the effects of IMF assistance in the medium term. A fuller analysis of medium term growth was not feasible, because the IMF programmes being analysed were typically preceded by another IMF programme, therefore the relative effects of each would be impossible to measure. Nevertheless, considering that real investment is positively correlated to anticipated future growth<sup>106</sup> and is similarly related to medium term growth, Cornia notes that real investment was positive in only forty- two percent of IMF programmes<sup>107</sup>. Cornia states that the lack of changes or deteriorations in real investment had the effect of precluding structural adjustment or investment expansion, and

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<sup>105</sup>Sources: UN-DIESA (1985, 1986), IMF Annual Reports, 1979-1985, IMF Surveys. Insignificant growth is plus or minus .4%.

<sup>106</sup>According to Cornia, *supra* note 95 at 62, even though he does not explain the statistical significance of the relationship between real investment and medium term growth. Further statistical analysis should be undertaken to determine precisely what the statistical correlation of real investment and medium term growth is. It is beyond the scope of this thesis to complete this analysis.

<sup>107</sup>*Ibid.* at 62: Source: UN-DIESA (1985, 1986), IMF Annual Reports, 1979-85, and IMF Surveys. Insignificant equals plus or minus .1%.

"tend[ed] to reduce the use of domestic [material] resources"<sup>108</sup>. These factors, coupled with reductions in national savings<sup>109</sup>, reduced the potential for capital accumulation and growth. A negative influence on the current level of imports was noted, and through them, a similar contrary effect on current growth.<sup>110</sup> Cornia concludes that for medium term growth, based on the indicator of real investment changes, IMF assistance ineffective.

Finally, Cornia examined the changes of the sample's current account<sup>111</sup> balances. Here, it appears slightly more likely for the current account to improve as a result of the IMF conditionality. The years in which the improvements were the greatest were the same years in which investment, growth and GDP per capita were decreasing<sup>112</sup>.

Cornia<sup>113</sup> assumes that the current account improvements were made at the cost of capital formation<sup>114</sup>. Further, the volume of imports to IMF-assisted countries declined every year between 1980 and 1983<sup>115</sup>. Therefore, countries tended to improve their surplus or deficit positions by a reduction of imports. A fifty-six percent probability in current

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<sup>108</sup>*Ibid.* at 61.

<sup>109</sup>Statistics of which are provided on page 62, *ibid.*

<sup>110</sup>*Ibid.* at 62.

<sup>111</sup>See generally, Cherneff, *supra* note 29 at 510-546, for a discussion of the significance of the balance of payments, current account, capital account, and other economic indicators.

<sup>112</sup>Namely in 1982 and 1983.

<sup>113</sup>Cornia *supra* note 95 at 61.

<sup>114</sup>*Ibid.* at 64.

<sup>115</sup>*Ibid.* at 63.

balance improvement, due largely to reduction of imports, is not adequate, particularly considering that imports are related to the productivity of a country's exportable goods<sup>116</sup>.

Although some criticisms may be made about the Cornia study<sup>117</sup>, the results are a cause for concern for developing countries. IMF programmes of fiscal and monetary measures do not necessarily guarantee economic prosperity for developing countries, as there is as much chance of short term and medium term economic deterioration, as there is chance of improvement. The empirical data below<sup>118</sup>, Table 4.2, tends to validate the above-noted results.

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<sup>116</sup>As indicated by David, *supra* note 5 Chapter Three at 88-92.

<sup>117</sup> First, the study does not show longer term effects on GDP. Therefore, although short term growth may be unlikely, perhaps longer term growth is possible. There do not appear to be any studies that have identified the longer term growth statistics, however. Secondly, there are no statistics on a non-IMF control group of countries which shows the relative changes of all countries and the international economic norms at the time of this study. There were significant international events, such as "a sharp recession, a rapid increase in the number of countries undergoing stabilization, and a staggering decline in capital flows to developing countries which may have had an effect on the examined numerical indices. As a result, it is conceivable that the IMF assisted countries may have done relatively better than non-IMF assisted countries. Or conceivable that the IMF assisted countries had done worse. Due to the lack of a control group, these results are unknown. Thirdly, there is no information regarding how the calculations regarding the statistical reliability of these findings were made. Therefore, although this table may be useful in determining generalized results of IMF programmes, it cannot be considered truly reliable, except to indicate a sense of short term patterns.

<sup>118</sup> Donovan, *supra* note 99 at 171-203.

**Table 4.2**  
**Comparisons Showing Absolute and Relative External-Sector Improvement**  
**Associated with Upper-Credit-Tranche Standby Arrangements, 1971-1980<sup>119</sup>**

|                                                             | No. | Percent |
|-------------------------------------------------------------|-----|---------|
| <b>YEAR BEFORE VS. YEAR AFTER PROGRAM'S INCEPTION</b>       |     |         |
| Absolute improvement:                                       |     |         |
| In ratio of current account to GNP                          | 35  | 55      |
| In ratio of overall balance to exports                      | 39  | 61      |
| In both ratios                                              | 28  | 44      |
| Relative Improvement:                                       |     |         |
| In ratio of current account to GNP                          | 44  | 69      |
| In ratio of overall balance to exports                      | 36  | 56      |
| In both ratios                                              | 29  | 45      |
| <b>3 YEARS BEFORE VS. 3 YEARS AFTER PROGRAM'S INCEPTION</b> |     |         |
| Absolute Improvement:                                       |     |         |
| In ratio of current account to GNP                          | 32  | 59      |
| In ratio of overall balance to exports                      | 39  | 72      |
| In both ratios                                              | 24  | 44      |
| Relative Improvement:                                       |     |         |
| In ratio of current account to GNP                          | 37  | 68      |
| In ratio of overall balance to exports                      | 36  | 67      |
| In both ratios                                              | 25  | 46      |

This IMF-sponsored study examined the improvements of GNP and overall balance to exports for the period between 1971 and 1980<sup>120</sup>. The conclusion of Donovan's study<sup>121</sup> was that few net financial benefits, whether relative or absolute, were likely to occur as a result of IMF programmes. This conclusion's validity was enhanced when those countries who complied with the IMF conditions, were separated from those who did not<sup>122</sup>. Once the variables of complicity are separated, there was no statistically

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<sup>119</sup>*Ibid.* at 173.

<sup>120</sup>The study also examined the relative improvements in GNP between oil and non-oil producing countries.

<sup>121</sup>Donovan, *supra* note 99 at 174.

<sup>122</sup>As adapted from John Spraos, *IMF Conditionality: Ineffectual, Inefficient, Mistargeted, Essays in International Finance*, No. 166, December 1986 (Princeton: Princeton University Press, 1986)

significant difference in the current account performance of the sample.<sup>123</sup>

Research completed by Budhoo<sup>124</sup> also outlines the limited benefits to IMF conditionality:

- in 63 percent of all cases in 1983, 59 percent in 1984, and 58 percent in 1985, economic growth targets were never realized;
- in 54 percent of all cases in 1983, 63 percent in 1984 and 58 percent in 1985, the inflation rate was higher than programmed;
- on balance-of-payments aggregates, the current account deficit turned out worse than targeted in 40 percent of all cases in 1983, 44 percent in 1984 and 53 percent in 1985;
- in 1983-1985, external debt as a percentage of GDP rose in 70 percent of all cases during the three year period under consideration; and
- debt servicing obligations as measured by the debt servicing ratio, rose between 1983-85 in 75 percent of all countries with Fund programmes; such obligations more than doubled in a wide range of "programed" countries, including Ghana, Guatemala, Malawi, Uganda, Zaire, Zambia and Zimbabwe.<sup>125</sup>

These results are contrary to what a drawing member would hope to gain by pursuing IMF conditionality. Developing countries clearly do not want depressed short or medium term GDP growth. However, because they are faced with the dilemma of having no alternative sources of financing, they must abide by the recommendations of the IMF.

In conclusion, based on the available empirical data, it is likely that IMF conditionality does not have a significant positive effect on the economies of the members that have

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<sup>123</sup>Connors, *supra* note 99 at 8.

<sup>124</sup>Budhoo, *supra* note 44 at 39-40.

<sup>125</sup>As adapted from Budhoo, *ibid.* at 39-40.

those programmes applied<sup>126</sup>. Sachs summarizes this critical view:

The IMF's recent record in the debtor countries is one of failure. The failure was predictable, and the IMF could have done much better. The IMF is committed to restoring balance-of payments viability in the medium term to countries with an external financing crisis. Viability here refers to the capacity of a country to meet its international financial obligations without undermining national prosperity and on a *routine* basis (i.e., without further rescheduling, new concerted loans or further negotiated reductions in the debt). Viability by this standard has been restored for few if any of the thirty-nine or so countries that have been engaged in the past decade in the restructuring of their commercial bank debt . . . most of the problem debtor countries are further away than ever from renewed creditworthiness.<sup>127</sup>

The IMF must surely be aware of the unimpressive results that its programmes have on developing countries. One cannot help but wonder why the IMF does not change its policies to ones which are more effective in restoring at least a *minimum* economic viability. As described previously, it is unlikely that this question will be answered, due to the IMF's immunity from document disclosure. Unfortunately, the IMF has both the position of economic strength, and the luxury of being unscrutinised, and can therefore impose any and all of its microscientific development principles on desperate developing countries. Any criticisms made against the IMF can be invalidated because there is no

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<sup>126</sup>Killick, *supra* note 62 Chapter Three at 265, summarizes his findings with respect to IMF programmes as follows (as adapted: only relevant portions of findings included here): 1. the programmes are associated with a modest short-term improvement international current account, and a somewhat stronger tendency for the overall balances to be improved, although these results had low statistical significance. 2. although inflows of capital do increase with IMF programmes, the results are not significant. 3. Programmes do not generally have deflationary effects,(in fact, tend to increase short run inflation), and have no effect on sustained liberalization.

<sup>127</sup>Sachs, *supra* note 32 at 103.



access to IMF information<sup>128</sup>. Nevertheless, the empirical data showing a high percentage of lack of improvements, particularly in the short and medium terms, tends to speak for itself about the lack of efficacy of IMF policies.

These results are even more undesirable when they are considered in the context of recent global trends. First, the populations of the developing countries are increasing at an astronomical rate. Some authors expect that "between now and 2025, around 95 percent of all global population growth will take place in (developing countries)<sup>129</sup>", approximately eight billion people<sup>130</sup>. Clearly with this increase in population in these areas, development strategies, specifically gender and IMF-related, must be altered to ensure economic and physical survival for these people.

Another recent global trend that exacerbates problems of microscience, currently applied development principles, and problems arising from the lack of adequacy of IMF conditionality are the trends of increased numbers of multinational corporations and the lessening of economic barriers to trade. This financial liberalization, although clearly expanding world commerce, also has the effect of decreasing flows of money away from manufacturing and trade from national organizations, causing generalized decreases in the

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<sup>128</sup>The only critics of the IMF that can actually say what the IMF does are those that work, or used to work at the Fund. Davidson Budhoo was an IMF employee, and published a scathing letter of resignation criticizing IMF policies and procedures, Budhoo, *supra* note 44.

<sup>129</sup>Epping, *supra* note 37 Chapter Four at 36.

<sup>130</sup>Extracted from *The Economist*, January 20, 1990 at 19.

amount of local employment and resources available to the poor<sup>131</sup>. Further, according to some authors, because of the recent availability of electronic financial communications and transfers, combined with the deregulation of the international money markets, foreign currency exchanges are made for speculation, rather than the purchase of foreign goods or services<sup>132</sup>, similarly internationalizing the effects of currency manipulations. This causes fluctuations in the basic needs availability for the poor by the all-to-frequent influence and opinions of international currency traders<sup>133</sup>. Other global trends include the biotechnological revolution of agriculture, an increase in robotics, automation, as well as the degradation of the environment due to depleted resources, all which tend to reduce the quality of live of the poor, through reduced employment, reduced government expenditures due to foreign currency fluctuations, reduced available sustenance resources, and other effects<sup>134</sup>. Although a discussion of these issues is beyond the scope of this work, it must be noted that many of these trends make the lives of the poor in developing countries worse<sup>135</sup>. Because of limited access to the benefits of the trends<sup>136</sup>, the global advances and advantages of the "technological revolution" do not flow to the poor. As will be described in Chapter Six, women are the least benefitted.

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<sup>131</sup>Kennedy, *supra*, note 3 Chapter One at 3-28.

<sup>132</sup>*Ibid.* at 46-53.

<sup>133</sup>*Ibid.*

<sup>134</sup>See Kennedy, *supra*, note 3 Chapter One for a discussion of this issue.

<sup>135</sup>See generally Epping, *supra*, note 37 Chapter Four and especially Kennedy, *supra*, note 3, Chapter One, for a specific discussion of the global trends and their regional impacts.

<sup>136</sup>For example, access for a developing country woman to a computer or sophisticated multinational employment is clearly limited if she is poor and untrained.

Nevertheless, it must be stressed that, the IMF clearly does not cause the underlying problems of the global macro-environment for the poor. However, in light of the pre-existing conditions and recent global changes, the IMF results, which are unimpressive, serve to heighten the difficulty of developing countries to improve their economic situations, which creates more general hardship for the poor, as will be discussed in the following chapters.

Thus, acknowledging the general consensus that IMF programmes are not effective in achieving the goal of economic development, and the recent global trends, a consideration of other, more subtle issues regarding the IMF application of microscientific development principles must be undertaken. Specifically, the 'survival costs' to the poor population that are subjected to IMF conditionality must be considered. As will be discussed in Chapter Five, the goal of achieving the fulfilment of basic human needs cannot be measured by using economic indices. Chapters Five and Six will show how the poor face increased poverty and hardship upon the application of IMF conditionality.

## Chapter Five

Chapter Two has shown that current day notions of development define a country's value by its economic worth. Further, Chapter Four indicated that the IMF's application of these microscientific principles to developing countries does not result in their enhanced economic performance. Further consideration must now be made of the fact that economic performance is not a valid measurement of *all* the consequences stemming from the IMF's application of these principles and it does not demonstrate the socio-political changes that arise in developing countries, as a result. Other factors must be considered to determine the social costs of the application of these principles.

These factors can be classified into two categories: public and private. The public category includes national events arising due to the application of microscientific conditionality principles<sup>1</sup>. The private category examines the effects of these applications on the individual. Using the specific example of the IMF, each category will now be addressed.

### 1. Public Factors

There are a variety of public aspects of developing countries that are affected by the IMF's application of microscientific development principles. One of these factors is the

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<sup>1</sup>For instance, loss of sovereign control of development paths, as will be discussed below.

sovereignty<sup>2</sup>, or perceived sovereignty<sup>3</sup>, of the drawing developing countries, and their ability to make sovereign economic decisions.

The common definition of sovereignty is to be "independent of all others . . . supreme and independent political authority<sup>4</sup>." The term has largely been used to describe the "collection of functions exercised by a state"<sup>5</sup>. Many authors<sup>6</sup> equate sovereignty with independence; "the fundamental authority of a state to exercise its powers without being

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<sup>2</sup>The true meaning of this word, however is ambiguous: "There exists perhaps no conception the meaning of which is more controversial than that of sovereignty. It is an indisputable fact that this conception, from the moment when it was introduced into political science until the present day, has never had a meaning which was universally agreed upon", L. F. E. Oppenheim, *International Law*, vol. 1 (London: Longman 1905) at 103.

<sup>3</sup>The 'external view' of sovereignty is; "as an outside entity, are the actions taken by a government independent, or relative to other states, as independent as possible. The internal view . . . of sovereignty is . . . whether or not those citizens that live in a country perceive that their government is acting without external influence . . . based in reality, or, . . . a perception from the people. This is because there are no actual, measurable definitions of sovereignty that can show the degree of sovereignty that a country has . . . sovereignty is "the cornerstone of international rhetoric about state independence and freedom of action... with different meanings to many people": Alan James, *Sovereign Statehood* (London: Allen and Unwin, 1986) at 1.

<sup>4</sup>Guralnik, *supra* note 1 Chapter One at 1368.

<sup>5</sup>Ingrid Delupis, *International Law and the Independent State* (New York: Crane Russak, 1974) at 3.

<sup>6</sup>Budhoo, *supra* note 44 Chapter Four at 4-6, Korner, *supra* note 8 Chapter One at 122-130.

subservient to any outside authority<sup>7</sup>." James notes<sup>8</sup>:

It is important to bear in mind that it is the authority or ability of a state to determine its relationship with outside powers . . . constitutional independence is an essential determinant of whether or not a state is sovereign<sup>9</sup>.

The right to self-determination, which is the right to exercise the supreme power in the territory, is relevant to the discussion of the IMF's use of microscientific principles.

One instrumental basis of this right to self-determination<sup>10</sup> can be found in Clause Two of the *Declaration on the Granting of Independence to Colonial Countries and Peoples*<sup>11</sup> which provides:

2. All peoples have the right to self-determination; by virtue of that right they freely determine their political status and freely pursue their *economic*, social and cultural development, [Emphasis added].

Similarly, Resolution 2625 (XXV)<sup>12</sup> provides:

By virtue of the principles of equal rights and self-determination of peoples enshrined in the Charter of the United Nations, all peoples have the right freely to determine, without external interference, their political status and to pursue their economic social and cultural development, and every state has the duty to respect this right in accordance with the provision of the Charter.

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<sup>7</sup>Ian Brownlie, *Principles of Public International Law*, 3d ed. (Oxford: Clarendon, 1979) at 15.

<sup>8</sup>James, *supra* note 3 at 49.

<sup>9</sup>*Ibid.* at 51.

<sup>10</sup>This analysis does not include countries that are not under capitalist, democratic political and economic regimes, due to the limited scope of this work.

<sup>11</sup>Resolution 1514 (XV), 1960.

<sup>12</sup>*Charter of Economic Rights and Duties*, 12 December 1974, G.A. Res. 3281 (XXIX), [Hereinafter, the Charter].



Thus, the right of a people to self-determination includes the right to behave economically, in a fashion desired by the majority of the population in that country. As stated by the International Court in the *Namibia* case<sup>13</sup>, the right of self-determination can be thought of as a human right of *collectivities*<sup>14</sup>, that is, in this analysis, the right of collective economic action<sup>15</sup>. This right to self-determination, which is an essential part of national independence must be followed, in order for a country to experience true sovereignty.<sup>16</sup>

Some authors note that absolute economic sovereignty is impossible, because of the

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<sup>13</sup>The International Court of Justice gave its advisory opinion in 1971 on the legal consequences for states of the continued presence of South Africa in Namibia (South West Africa). The Court treated the inhabitants of Namibia as having rights, under international law and said the people were a jural and injured entity. The *people* of that territory have a right, under international law, to progress towards independence, and the court said south Africa had violated this right by failing to comply with its obligations to submit to the supervision of the United Nations." As found in Delupis, *supra* note 5 at 15. The case is found at *I.C.J. Reports 1971*, 16 at 56.

<sup>14</sup>Delupis identifies that inherent in the right to self-determination is the right of succession, *ibid*. Although this may be worthy of discussion, it will not be so discussed because of the limited scope of this paper.

<sup>15</sup>This is so, even considering the non-binding nature of UN declarations. Specifically, though a resolution of the General Assembly technically does not have binding force, the resolutions are binding when they repeat rules which exist in customary international law or rules which on some other ground may be binding, for example, rules embodied in other treaties See I. Detter, *Law Making by International Organizations* (Stockholm: Merstedts, 1965).

<sup>16</sup>G. Goodwin, in "The Erosion of External Sovereignty", in G. Ionescu, ed., *Between Sovereignty and Integration* (New York: Halsted Press, 1974) 106 at 115 sees sovereignty as follows: "if [the country] is separate and supreme in constitutional terms. It is sovereign, no matter what its size or strength." He does not go on to describe what he means exactly, by constitutional terms, however.

interconnectedness of global economic systems<sup>17</sup>. Although it is accurate to state that no country is *absolutely* independent<sup>18</sup>, it must also be remembered that the global economic system<sup>19</sup> operates based on notions of relative economic power. Industrialized, 'rich' nations are 'financially independent'<sup>20</sup>, and therefore do not necessarily have to subject themselves to externally imposed or applied microscientific theories of financial growth. In contrast, those countries which are poor, are subjected to the economic theories of those

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<sup>17</sup>See, for example, Iain Wallace, *The Global Economic System* (London: Unwin Hyman, 1990) at 63-112, and Ethan B. Kapstein, *Governing the Global Economy, International Finance and the State* (Cambridge, Mass.: Harvard University Press, 1994) at 103-177, for a discussion on global economic dependencies.

<sup>18</sup>"A major, formally self-imposed, limitation on the power /authority of states is membership of international organizations - even though paradoxically enough, they were established by states in exercises of their sovereign powers", M.S. Rajan, *Sovereignty over Natural Resources* (New Jersey: Humanities Press, 1978) at 1. Rajan cites present and historical memberships in the United Nations and the League of Nations as examples of sovereign-decided limitation of power.

<sup>19</sup>As has been done by Vandana Shiva, *supra* note 11 Chapter Two at 1-13 and 38-55, and Maria Mies, *Patriarchy and Accumulation on a World Scale, Women in the International Division of Labour* (London: Zed Books, 1994) at 44-56.

<sup>20</sup>Although, 'financial independence' is becoming less and less common for even the developed countries. For example, the United States, which, historically, had been financially secure, has now changed to the position of net debtor. See Kennedy, *supra* note 3 Chapter One at 290-329 for a discussion of this increasingly deteriorating economic situation.

external bodies<sup>21</sup> from which they will receive financial assistance. This form of influence<sup>22</sup> is typical of the global society, which is hierarchical and utilizes neoclassical and neoliberal<sup>23</sup> ideologies to support its continued existence. Substantive sovereignty is more readily available for the 'financially sound' sovereigns.<sup>24</sup>

At issue then, is whether the IMF's application of conditionality on developing countries negates their sovereign right to economic self-determination. Many authors have suggested that this is the case. For example, Payer<sup>25</sup> states:

Legally and formally, the Fund has no power to dictate changes in a country's internal policies. In practice, it does this in the case of most drawings made beyond the first credit tranche. The anti-inflationary policies which it insists upon touch the very heart of national sovereignty by affecting government spending, taxation, and credit policy<sup>26</sup>.

According to Payer, the infringements on developing country sovereignty increase as the

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<sup>21</sup>In particular, as will be further addressed, Korner, *supra* note 8 Chapter one at 43 states as follows with respect to the IMF's imposition on national sovereignty: "The drastic incursions of IMF programmes into the economic, financial, and budgetary policies of debtor countries mean that the Fund is appropriating central functions of the state; its policies constitute an attack one of the cornerstones of national sovereignty. This intervention are all the more serious because the IMF is not attempting to bring a rational approach to development policies".

<sup>22</sup>Or coercion, as suggested by Shiva, *supra* note 11 Chapter Two at 25.

<sup>23</sup>And, as has been suggested by G. Dacks, J. Green, and L. Trimble, "Road Kill: Women in Alberta's Drive Toward Deficit Elimination", Unpublished paper, University of Alberta, Department of Political Science, February 13, 1995.

<sup>24</sup>The opposite view is given by G. Goodwin, *supra* note 17 at 109.

<sup>25</sup>Payer, *supra* note 107 Chapter Two at 45.

<sup>26</sup>*Ibid.* at 45.

amount of IMF funding becomes greater.

Ferguson also indicates that IMF policies infringe on national sovereignty. Although he recognizes that developing countries have no obligation to request IMF funds, often, as described in Chapters Three and Four, developing countries have no real choice:

The multilateral institutions argue that their policy conditionality does not encroach on the national sovereignty of countries borrowing from them, because, in the last analysis, members are not compelled to draw on IMF/World Bank funds nor to accept conditionality: they do so willingly *in exercise* of their sovereignty. . . . This benign view of conditionality overlooks the reality that in the midst of economic crisis, and especially of persistent crisis, the options facing would-be borrowers are extremely limited . . . the ability of many [developing countries] to say 'no' to conditional financing is constrained . . . [by] structural dependence<sup>27</sup> [Emphasis added].

Thus, the relative bargaining power of the developing countries and the IMF potentially can erode drawing member sovereignty. Killick<sup>28</sup> also recognizes this disparity of power and notes that developing countries only approach the IMF when they are facing imminent economic crises. Because of this imminence, funding needs to be immediately acquired, therefore, the time factor involved tends to put more pressure on the developing countries to accede to IMF demands.

Specifically, although it is true that the developing countries have the technical option of whether to approach the IMF for funding, in actuality, there are no other choices if the impending economic crisis is to be prevented. The developing countries are in such

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<sup>27</sup>Ferguson, *supra* note 15 Chapter Three at 50.

<sup>28</sup>Killick, *supra* note 62 Chapter Three at 4.

onerous financial circumstances that funding is crucial. This funding is not available through commercial credit sources. The IMF is the last resort. As a result, developing country governments are willing to accept otherwise unsatisfactory IMF-imposed conditions to avert short-term economic disaster.

This economic pressure causes some authors to question the legality of the conditionality agreements made between developing countries and the IMF. In particular, the territorial competence of a sovereign country to conclude agreements is only valid when it can be shown that the agreements were completed with the sovereign's free will<sup>29</sup>. If the agreement is concluded by coercion<sup>30</sup> or undue influence<sup>31</sup>, it may be that the agreements are invalid and unenforceable<sup>32</sup>.

Coercion, in the form of economic force, can be discussed in the IMF context. Although

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<sup>29</sup>Delupis, *supra* note 5 at 142. Delupis identifies that this notion of free will is particularly important for developing countries, "because they are newly independent, they find it difficult to make their voices heard in international negotiations".

<sup>30</sup>Including military force, *economic force*, and political pressure. For the purpose of this discussion, only economic force will be considered. However, generally, see Delupis, *supra* note 5 at 148-161.

<sup>31</sup>Whereby one party uses their clear superior bargaining power to effectively 'force' an agreement on another contracting party. See Delupis, *supra* note 5 at 168-174.

<sup>32</sup>Because of the limited scope of this work, the legal definitions of undue influence, coercion, and unequal bargaining power, which could render the agreement between parties void *ab initio* will not be further discussed.



specifically considering treaties, Delupis<sup>33</sup> generally discusses economic force, and notes that most agreements 'are concluded under some sort of economic or political force', due to differences in bargaining power, including economic power. This economic pressure, although obviously causing some level of coercion on the weaker party, is generally not illegal<sup>34</sup> under current international laws, for both contractual agreements and treaties, since there is no obligation in international law for any country or institution to assist other countries. Thus, although there may be no other options for the developing country but to accept whatever conditions the IMF chooses to impose in its conditionality, this imposition is still made with sovereign consent. Clearly, should the country contracting with the IMF wish to get an international legal decision regarding the legality of the IMF conditions, it may do so. This quest, however, would have the inescapable effect of the discontinuance of funding by the IMF, for a long time to come<sup>35</sup>. In desperate financial circumstances, the cessation of draws is one of the most undesirable consequences for developing countries. As a result, a legal challenge is extremely unlikely<sup>36</sup>.

Nevertheless, given that the mandate of the IMF is, *inter alia*, to promote economic

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<sup>33</sup>Delupis, *supra* note 5 at 156-159.

<sup>34</sup>*Ibid.* at 158.

<sup>35</sup>See Budhoo, *supra* note 44 Chapter Four at 195-207 generally.

<sup>36</sup>See Budhoo, *supra* note 44 Chapter Four at 203 and Korner, *supra* note 8 Chapter One at 48-51.



stability, presumably from a relatively nonpartisan viewpoint<sup>37</sup>, the IMF should attempt to ensure the least possible intrusion into the economic sovereignty of nations. The IMF claims that it makes this attempt. Critics, such as Budhoo<sup>38</sup>, discussed below, disagree. Nevertheless, the imposition of terms to access funding is not, *per se*, an illegality under international laws.

Budhoo<sup>39</sup> is strongly of the opinion that the IMF uses economic coercion in its application and requirements of conditionality, which directly causes the erosion of the sovereignty of developing countries. He gives two examples of how the IMF operations in Trinidad and Tobago infringed on national sovereignty. First, Budhoo explains how the IMF imposed its own theories of microscientific development, specifically in terms of public utility pricing in Trinidad and Tobago. Here, the IMF determined that public utilities were underpriced by the government, and insisted that prices be increased. This was the case, even though the efficiency, or according to the IMF, lack of efficiency, of this pricing scheme was not verifiable<sup>40</sup>. Nevertheless, tariff adjustments, which effectively increased

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<sup>37</sup>Although, as discussed earlier, the weighted voting system typically ensures that the will of the most economically powerful is followed. Since this is the case, it seems elemental that the voting systems themselves need adjustment.

<sup>38</sup>Budhoo, *supra* note 44 Chapter Four.

<sup>39</sup>Budhoo, *supra* note 44 Chapter Four. Budhoo was a member of the IMF staff, and as such, had significantly more extensive knowledge of the IMF practices and procedures than any authors outside the IMF. This is because, as mentioned previously, the IMF and its documents are immune from disclosure.

<sup>40</sup>*Ibid.* at 36.

utilities costs, were imposed. This was despite the protests of Trinidad and Tobago government officials, who had specifically kept utilities at low rates for social policy reasons. The Trinidad and Tobago sovereignty of decision making was removed by the IMF in this instance, without any documentation or statistics to justify its position. But because the government needed funding, this condition had to be accepted.

Budhoo's second example of intrusion into the Trinidad and Tobago government's sovereign decision making powers was the IMF insistence on the freezing of salaries and removal of benefits to public sector employees<sup>41</sup>. Although the IMF had to soften its position because of the government threat to go to the International Court for an opinion, IMF staff were still told to "encourage the government to ignore legal agreements" with the public sector employees<sup>42</sup>, and make the IMF recommended cuts. The consequences for not following the IMF recommendations, of course, would be the cancellation of the balance of the draws for the Trinidad and Tobago government. With the Trinidad and Tobago government's access to financing being dependent on the continuation of the IMF's "Seal of Approval", the Trinidad and Tobago government was unwilling and virtually unable to deny this, or any other requests or mandates imposed on it by the IMF. Indeed, *all* IMF requirements were eventually agreed to.

According to Budhoo, these two incidents are merely the 'the tip of the iceberg' of

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<sup>41</sup>*Ibid.* at 35-39.

<sup>42</sup>*Ibid.* at 37.

examples of where the IMF has insisted that its microscientific ideologies of efficiency and economic development be followed by a reluctant government<sup>43</sup>. Resulting from this IMF insistence is a loss of sovereignty of drawing members. Thus, although the IMF 'suggestions' are not illegal, as described previously, the IMF's microscientific 'objectivity' becomes rather more questionable when one considers that the IMF is, as previously described<sup>44</sup>, the lender of last resort, and the 'opinion-maker' of the global economic community. If the IMF refuses to provide funds to a country, all other credit sources similarly refuse to advance funds. The IMF, therefore, has ultimate power over a needy developing countries. There is no real choice available for the drawing member: take the funding and the conditionality attached thereto, or become so utterly destitute that political unrest arising out of poverty, malnutrition, increased prices, and lack of fulfilment of basic needs will topple the government, perhaps for a replacement more willing to accede to the IMF demands<sup>45</sup>.

The IMF has attempted to defend itself against the allegations that it intrudes on the rights of the sovereign countries; "the Fund disclaims any responsibility for determining where these cuts are made on the grounds that to do so would be an unwarranted interference

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<sup>43</sup>*Ibid.* at 42.

<sup>44</sup>See Chapter Three.

<sup>45</sup>Article 1 of the Charter, *supra* note 13 provides: "Every State and nation has the sovereign and inalienable right to choose its economic system as well as its political, social and cultural systems in accordance with the will of its people, without outside interference, coercion or threat in any form whatsoever." Under the influence of the IMF, and its requisite adjustment programmes, it is questionable whether or not this can actually occur.

with the sovereignty of the borrowing country."<sup>46</sup> However, the questions arising from the previously described criticisms remain unanswered. It is difficult to envision how the IMF *could* justify its position, in the face of these ubiquitous appraisals.

Flowing from the loss of sovereignty is the loss of political stability in many of the countries that utilize the IMF funding. In particular, here are increased incidents of politically motivated riots and other social unrest, once the IMF applies conditionality in a developing country. Edward and Santaella's study<sup>47</sup>, identifies such indices of political instability and weakness in devaluation episodes<sup>48</sup> for successful, limited, and failed IMF adjustment programs<sup>49</sup>. Although the authors of this study contend that the propensity for political instability must have existed before the devaluation episode occurred, it is equally possible that political instability arose *because* of the attempt to devalue. The results<sup>50</sup> of this study are set out below in Table 5.1.

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<sup>46</sup>Robert S. Browne, "The IMF in Africa: A Case of Inappropriate Technology", in R. Myers, ed., *The Political Morality of the International Monetary Fund* (Oxford: Transaction, 1987) 65 at 74.

<sup>47</sup>Santaella, *supra* note 51 Chapter Four at 405-461.

<sup>48</sup>*Ibid.* at 440.

<sup>49</sup>Refer to Table 3.1, Chapter Three, and accompanying text for a description of other aspects of this study, including definitions of success, limited success, and failed adjustment programs.

<sup>50</sup>Santaella, *supra* note 51 Chapter Four at 440, based on data collected by C.L. Taylor and D. Jodice, *1983 World Handbook of Social and Political Indicators* (New Haven, Connecticut: Yale University Press, 1983).

**Table 5.1:**  
**Indices of Political Instability and Weakness in Devaluation Episodes: Means**  
1 yr after devaluation      3 yrs after devaluation

|                                       | Successful | Limited | Failed | Successful | Limited | Failed |
|---------------------------------------|------------|---------|--------|------------|---------|--------|
| 1. Politically Motivated Strikes      | .06        | .04     | .10    | .02        | .00     | .13    |
| 2. Political Demonstrations and riots | .26        | .09     | .37    | .10        | .70     | .21    |
| 3. Repression of dissidents           | .80        | .64     | 1.97   | .51        | .73     | .83    |
| 4. Index of government transfers      | .60        | .54     | .61    | .67        | .31     | .83    |
| 5. Index of Coup Attempts             | .27        | .23     | .67    | .00        | .23     | .28    |

There is clearly some correlation between instability and devaluation, although the cause and effect conclusions are difficult to ascertain, given the available empirical data<sup>51</sup>. As a result, a study showing the comparisons between *changes* in political instability, for successful, limited, and unsuccessful devaluers, using the incidence of political instability *prior to any devaluation attempts*, as compared to the instability *after the devaluation attempts*, must be undertaken to find reasons for these levels of political instability. Nevertheless, despite this lack of data regarding the cause and effect relationship of devaluation and instability, the authors conclude:

As can be seen, 'failure' countries indeed appear to have a more unstable political structure; the frequency of politically motivated strikes and riots there is higher than in the 'effective' devaluation countries. Additionally, in the unsuccessful countries, the governments tried to exercise stricter control of dissidence. Finally, 'failure' episodes experienced a higher incidence of coups.<sup>52</sup>

Other authors specifically confirm the conclusion that adjustment measures are frequently

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<sup>51</sup>*Ibid.* at 442.

<sup>52</sup>*Ibid.* at 440.



accompanied by an increase in political instability:

In 1984, austerity-induced riots in the Dominican Republic left 55 dead and over 200 wounded; over 60 were reported killed in food price riots in Morocco; Tunisian bread riots left 89 dead and 938 wounded. In 1985, bus fare increases provoked riots that left at least two dead in Guatemala. At least 15 were reported to have died in riots protesting maize price increases in Zambia in December 1986, following the ending of subsidies. In 1988, six people died in riots in April demonstrating against increases in Nigerian gasoline prices, while the death toll from riots protesting Algerian austerity measures exceed 245, with over 1,000 reported injured. In 1989, up to 375 were reported killed and 1,000 wounded in Venezuela in riots protesting increases in public transportation fares and gasoline price increases (from 16 cents to 26 cents per gallon) introduced as Venezuela signed an IMF letter of intent: eight deaths and 87 injured were reported following riots in Jordan sparked off by price increases in cigarettes and gasoline as part of an IMF program, 3 deaths and 30 wounded were reported in austerity riots in Nigeria.<sup>53</sup>

These statements do not identify which of these events occurred specifically as a result of the IMF adjustment programmes. However, it appears that once austerity measures are implemented, increased political instability and related violence are more likely.

Therefore, it may be hypothesized that IMF programmes lead to greater political unrest.

In conclusion, loss of sovereignty, and potential political instability are two public impacts of the IMF and its application of austere conditionality programmes. Sovereignty is reduced when developing countries are forced to accept changes mandated by the IMF, in order to access funding. Political stability is decreased, because the developing country populations which are affected by the IMF mandated changes experience reduced quality of life<sup>54</sup> as a result; the IMF uses microscientific definitions of development, which only

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<sup>53</sup> O'Cleireacain, *supra* note 14 Chapter Four at 113.

<sup>54</sup> Budhoo, *supra* note 44 Chapter Four at 42.



consider numerical indices such as GNP and GDP<sup>55</sup> and the deteriorating welfare of the population<sup>56</sup> is not considered. None of these effects are particularly desirable. Clearly, adjustments to the IMF policies must be made to reduce the effects on these factors.

## 2. Private Factors

There are also a variety of private factors that are affected by the IMF's application of microscientific notions of economic development. As a result of conditionality, there are a number of social costs that occur for the individual, which tend to deepen the impoverishment of disenfranchised<sup>57</sup> peoples in developing countries. Many authors<sup>58</sup> have recognized these factors.

For example, in her article on conditionality<sup>59</sup>, Stewart, describes these costs: contraction in per capita incomes<sup>60</sup>; rising unemployment; rising urban poverty; reduced government

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<sup>55</sup>And other numerical indices.

<sup>56</sup>Discussed in Section Two, below.

<sup>57</sup>And, in particular, disenfranchised women.

<sup>58</sup>See Cornia, *supra* note 95 Chapter Four, Budhoo, *supra* note 44 Chapter Four, Korner, *supra* note 8 Chapter One, Buvinic, *supra* note 13 Chapter One.

<sup>59</sup>Frances Stewart, "Should Conditionality Change?", *The IMF and the World Bank in Africa, Conditionality, Impact and Alternatives, Seminar Proceedings No. 18*, K. Havnevik, ed. (Scandinavian Institute of African Studies, Uppsala, 1987) 22 at 29-45.

<sup>60</sup>Per capita income fell in over 70% of IMF assisted countries in Africa and Latin America, *ibid.* at 32.

per capita expenditure (including expenditure on the social services and food subsidies<sup>61</sup>); rising malnutrition; stagnant or falling levels of real investment; and no improvement, (and in some cases deterioration), in the current account of the balance of payments in many countries with fund programmes<sup>62</sup>.

Stewart recognizes that problems in these areas existed prior to IMF involvement. She notes that, at the time of her analysis, commodity prices had deteriorated, and there was a major world recession, with sluggish trade, higher protectionism, virtual cessation of voluntary bank lending, and high real interest rates<sup>63</sup>. Nevertheless, she concludes:

Developments associated with conditionality in the 1980s were highly unsatisfactory, [and] for the most part - despite heavy social costs - conditionality in the 1980s did not succeed in eliminating imbalances and restoring countries to a position of sustainable growth . . . the programmes may have contributed to the worsening terms of trade suffered by primary producers, which were in turn, partly responsible for the limited improvements in the current account balance of many Third World Countries.<sup>64</sup>

Although problems previously existed, conditionality served to increase the difficulties of the drawing developing countries.

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<sup>61</sup>Stewart states: Real government consumption per head fell in 55% of African countries (1980-84) and 70% of Latin American countries...Real expenditure on food subsidies per head fell in nine out of ten countries for which information has been collected, 8 of which had fund programmes, *ibid.* at 33.

<sup>62</sup>40% of African Fund-assisted countries and 52% of Latin American, 1980-1984, *ibid.* at 33.

<sup>63</sup>*Ibid.* at 33-34.

<sup>64</sup>*Ibid.*

Further, Dell<sup>65</sup> identifies difficulties ensuing from declining real wages in some developing countries as a result of IMF conditionality. He first notes that in some instances, real wages decreased in the order of twenty to forty percent within several months of IMF conditionality being instituted in drawing countries<sup>66</sup>. He finds that this drastic decrease led to less purchasing power of populations; people could now only purchase sixty to eighty percent of the goods and services that they could have purchased, prior to the imposition of IMF conditionality. This, in turn, caused a decrease in the quality of life and the fulfilment of basic needs of the people<sup>67</sup>. These deleterious effects did not necessarily have to occur:

Alternative methods of adjustment were available that would not have involved so large a reduction in real income, in some cases, perhaps no reduction at all. Such methods would have required correct identification of the sources of cost inflation and the mobilization of the social consensus required to slow down and ultimately halt the struggle between social groups to safeguard their respective shares of real income. Given such social consensus, the need for demand deflation would have been correspondingly reduced; devaluations, where they occurred, could have been much less drastic, and the fall in real wages would have been correspondingly smaller. In cases where idle resources could be shifted to exportable facing open markets abroad, the adjustment process could even have been carried out without loss of output and income . . . as to why the sackcloth and ashes approach to adjustment was preferred, the reasons lie more in the realm of politics than of economics<sup>68</sup>.

Microscientific development, as a paradigm reflecting the values of the white Western patriarchy, chose the abrupt, violent and 'perfectly defined' method of achieving economic

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<sup>65</sup>Dell, *supra* note 19 Chapter Four.

<sup>66</sup>*Ibid.* at 140.

<sup>67</sup>*Ibid.*

<sup>68</sup>*Ibid.* at 139.

change. This occurred, even though alternative measures could have limited the reduction in real income, and impoverishment of the developing country populations. Instead, these methods meant decreased probability of survival<sup>69</sup>, for the already poor.

Shiva has identified this reduced probability of survival as a deterioration in the "survival economy"<sup>70</sup>. This survival economy includes only such essentials as sufficient food, shelter, clothing, and water, which make up the basic needs of people. She generally notes that, as a direct result of IMF conditionality, the chances of survival of populations has decreased<sup>71</sup>.

David has also commented on the deteriorating ability of populations to fulfill basic needs, once IMF programmes are instituted. In particular, he states, "the provision of basic social services in some of these countries is already at such low and perilous levels, that any attempts to cut them further merely represent invitations to social disaster."<sup>72</sup> He notes that IMF programmes typically require such cuts, and concludes that, when such cuts occur, reduced survival of the poor which includes malnutrition and death occur, as a

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<sup>69</sup>Per Pinstrip-Anderson, "Nutritional Information", in Cornia, *supra* note 93 Chapter Four 241 at 244.

<sup>70</sup>Shiva, *supra* note 11 Chapter Two at 25.

<sup>71</sup>*Ibid.* Shiva does not provide statistics indicating the rate or nature of this deterioration. However, another study, discussed below, does provide such statistics.

<sup>72</sup>David, *supra* note 5 Chapter Three at 121.

result<sup>73</sup>. Budhoo, in fact, suggests that the IMF is responsible for countless deaths due to malnutrition, once conditionality is applied<sup>74</sup>. There are, however, no statistics to support this claim. Nevertheless, it is clear that cuts are often associated with political unrest, decreasing outputs and bankruptcy:

The results [of the IMF programs] had its shocking effects: in 1975 the gross domestic product fell by 16%, unemployment went up to 20%, industrial output went down by 23%. Workers' wages went down further and many small business went bankrupt . . .<sup>75</sup>

Deterioration in many aspects of developing countries is commonplace<sup>76</sup>, upon IMF conditionality application on a drawing member.

Cornia et. al.<sup>77</sup> prepared a statistical survey regarding the deterioration of life, including fulfilment of basic human needs, and the distributional and poverty implications for developing country populations as a result of IMF involvement in these countries. One article<sup>78</sup> addresses the deterioration of living standards that has occurred in developing countries after IMF applications of conditionality, in the first half of the 1980s. Although

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<sup>73</sup>*Ibid.* at 124.

<sup>74</sup>Budhoo, *supra* note 44 Chapter Four at 65-70.

<sup>75</sup>Lombardi, quoting Anthony Sampson, *The Money Lenders* (Hodder and Stoughton, London, 1981) *supra* note 7 Chapter Two at 47.

<sup>76</sup>*Ibid.*

<sup>77</sup>Giovanni Andrea Cornia, "Economic Decline and Human Welfare in the First Half of the 1980s" in Cornia, *supra* note 93 Chapter Four 11 at 47.

<sup>78</sup>*Ibid.*

this analysis is primarily concerned with the deterioration of the welfare of children, Cornia identifies statistics<sup>79</sup> that are pertinent to general deterioration of living conditions in developing countries. Cornia first examines the availability of resources for basic need fulfilment<sup>80</sup>. He notes that, with the exception of Sri Lanka, all countries in the sample experienced some type of recession in their economies<sup>81</sup>. Further, unemployment rates increased, in all but one of the countries examined<sup>82</sup>. Real salaries, similarly showed a

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<sup>79</sup>The statistics were gleaned from a sample of ten developing countries: Botswana, Ghana, Zimbabwe, the Phillippines, South Korea, Sri Lanka, the state of Sao Paulo (Brazil), Chile, Jamaica, and Peru. These statistics are described by the author as follows: "The evidence presented below is far from complete, particularly in the areas of health and nutrition. Available information often covers different periods, makes use of different concepts, or is derived from limited samples. From a rigorous statistical point of view, this information remains fragmentary and scattered. Better data would be desirable and is indeed necessary for proper monitoring of . . . welfare during the adjustment process. Most of the findings in this Chapter, however, consistently point in the same direction: the evidence taken as a whole indicates that serious problems have emerged during the last few years and that action is urgently needed. Waiting to take action until a more complete and rigorous data set is available would not be justified", *ibid.* at 21-22.

<sup>80</sup>*Ibid.* at 22-28.

<sup>81</sup>In the Phillippines, Ghana, Jamaica and Peru, the cumulative decline in GDP per capita was 15 % or more. Chile and Brazil had declines of -6.8 and -9%, whereas south Korea, Zimbabwe, and Botswana recorded overall increases in GDP, even though recession was, in fact, experienced, during some time in the sample period, *ibid.* at 22-23.

<sup>82</sup>Specifically, Cornia states: In all six countries where GDP per capita declined, unemployment rates rose, while in Botswana and Zimbabwe formal sector employment declined. Consistent with the sustained expansion of output, unemployment declined in Sri Lanka, and except for one year, in South Korea . . . There is evidence of growing underemployment (in the ) Phillippines, Chile, Peru and Brazil, or persistently high migration outflows preventing further deterioration on the labour market in Jamaica. There is also some disturbing evidence concerning the structure of unemployment, with a growing proportion of the unemployed belonging to the 24-45 age group, a longer average duration of unemployment, and a higher incidence of unemployment among low-income people, *ibid.*



general decline in all countries except South Korea<sup>83</sup>. Because of the reduction in employment levels, and the reduction of real wages, women have had to increase their participation in the labour force, "in order to offset the drop in earnings of (male) breadwinners<sup>84</sup>." Further, inflation<sup>85</sup> "accelerated substantially"<sup>86</sup>, which similarly increased the need for female labour force participation. The need to offset reduced household buying power typically falls to women, who are, by and large, responsible for family sustenance<sup>87</sup>. As a result, it is the women's time that is most affected by these decreases, as will be discussed in Chapter Six.

Even with the increased female participation in family sustenance, the net effects<sup>88</sup> of these

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<sup>83</sup>Who specifically states: "With the exception of South Korea, real salaries (i.e. money salaries deflated by the Consumer Price Index (CPI) or by the GDP deflator), have generally declined faster than the observed drop in GDP per capita. This was also the case in Sri Lanka and Zimbabwe, and possibly Botswana, where real salaries declined despite the increase in GDP per capita", *ibid.* at 22.

<sup>84</sup>*Ibid.*

<sup>85</sup>Which is measured using the Consumer Price Index, *ibid.*

<sup>86</sup>"Reaching two or more digits in the early 1980s for all countries included in the sample", *ibid.* at 27.

<sup>87</sup>Including food collection, food preparation, fuel and water collection, child care, health, education, and so on. Please refer to the next Chapter of this thesis for a complete analysis of the particular effects of adjustment on women.

<sup>88</sup>Due to real wages declining faster than GDP per capita, and rates of inflation for wage goods being higher than the consumer price index, which is the price paid for consumers of a standard assortment of goods, at a given point in time. Cornia, *supra* note 77 at 25. These effects have been greatly underestimated, according to this author.

factors indicate<sup>89</sup> that there has been a disparate drop in the household resources, particularly for the impoverished. For example, in Ghana, the Philippines, Chile, Jamaica, Peru, and Brazil<sup>90</sup>, there have been increases in the number of people below the poverty line.

Another factor significantly decreases the standard of living of the poor, due to IMF involvement in their countries. In most IMF adjustment programmes<sup>91</sup>, social sector spending is almost invariably reduced. The results of Cornia's study<sup>92</sup>, describe the impacts of adjustment programmes on government expenditures, (Table 5.2). The actual effects of these cuts are described as follows:

In Ghana, where prolonged crisis resulted in a cut of health expenditure per capita in 1982/83 to 80 per cent of the 1974 level, a project to immunize against yellow fever met only 50 per cent of its target. . . in Mozambique, the drugs and equipment needed to maintain the primary health care infrastructure cannot be maintained . . . In Zaire, 7,000 teachers were taken off the government payroll . . . In Ethiopia, even in the primary schools . . . a textbook is shared by at least four students. . . the visibly deteriorating conditions of basic services in many countries are due to the compounded effects of the general financial crisis together with specific cuts in health and education expenditures.<sup>93</sup>

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<sup>89</sup>*Ibid.* at 27.

<sup>90</sup>Until 1984, *ibid.* at 27.

<sup>91</sup>Payer, *supra* note 107 Chapter Two at 81.

<sup>92</sup>Per Pinstrup-Andersen, Maurice Jaramillo, and Francis Stewart, "The Impact on Government Expenditures", in Cornia, *supra* note 93 Chapter Four 73 at 73-89. [Hereinafter, Jaramillo].

<sup>93</sup>*Ibid.* at 73-74.

**Table 5.2<sup>94</sup>**  
**Annual Percentage Change in Per Capita Expenditure on Health and Education,**  
**1973-1979 and 1979-1983 (at constant prices)**

|                        | No. Of<br>Countries | 1973-79 | 1979-83 | % of Countries<br>decelerating |
|------------------------|---------------------|---------|---------|--------------------------------|
| Africa                 | 10                  | +3.5    | -0.1    | 60                             |
| Latin America          | 14                  | +4.2    | +2.3    | 80                             |
| Middle East            | 2                   | +11.7   | -7.2    | 100                            |
| South /South East Asia | 10                  | +10.2   | +7.2    | 80                             |

This is not to say that health and education were the most reduced sectors of government expenditures. In fact, according to this study, cuts in government expenditures tended to fall most on economic services and least on defence, with education and health in a median position<sup>95</sup>. Capital expenditure was most reduced followed by subsidies. Wages were most protected, followed by purchase of goods<sup>96</sup>. This study found that the governments in question, made<sup>97</sup> choices of which sectors to cut, and by what amounts; there is "no inevitability about the connection between declining GDP per capita and declining (lifestyles)"<sup>98</sup>. The governments of developing countries, therefore, had *some* power to change their own microscientific development policy decisions, to account for basic needs fulfilment of the poor, but they did not. Developing country governments, themselves,

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<sup>94</sup>*Ibid.* at 74, using IMF 1986(e) as a source. The figures are regional averages weighted by 1979 expenditure on health and education.

<sup>95</sup>*Ibid.* at 73.

<sup>96</sup>*Ibid.* at 77-79.

<sup>97</sup>With guidance of experts, such as the IMF, *ibid.*

<sup>98</sup>*Ibid.* at 81.

made the 'reasoned' choice not to consider the poor.

Another government expenditure reduction that similarly does not consider the needs of the poor are the decreases in food subsidies that often occurs once IMF conditionality is initiated. Specifically, "capping or reducing food subsidies was part of about one-third of adjustment programmes supported by the IMF in recent years."<sup>99</sup> Table 5.3, below, shows these reductions. These statistics indicate that "government food subsidy expenditures have increased less than the domestic inflation and also less than the combined effect of inflation and devaluation against the dollar"<sup>100</sup>. It was also noted that there is evidence that the increases in government expenditures on food subsidies have increased less than other government expenditures<sup>101</sup>.

It is concluded that "based on the evidence above . . . it appears that there has been a general decrease in government expenditures on food subsidies during the period 1980-1985 both in real terms and as a share of total government budgets and GDP<sup>102</sup>." For those<sup>103</sup> that are already poor, these reductions are devastating.

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<sup>99</sup>*Ibid.* at 83.

<sup>100</sup>*Ibid.* at 85.

<sup>101</sup>*Ibid.*

<sup>102</sup>*Ibid.* at 87.

<sup>103</sup>Again, women, in particular, are affected by the reduction of food subsidies, as will be explained in the following Chapter.

### Government Expenditures on Food Subsidies in Selected Countries<sup>105</sup>

|            | Latest<br>year available | Current<br>(\$million) | Current<br>(\$ \ capita) | Deflated<br>cost index | Current | Deflated |
|------------|--------------------------|------------------------|--------------------------|------------------------|---------|----------|
| Bangladesh | 1985                     | 89.30                  | 0.91                     | 92                     | 217     | 124      |
| Brazil     | 1985                     | 323.19                 | 2.38                     | 19                     | 2,964   | 31       |
| Columbia   | 1982                     | 2.41                   | 0.09                     | 71                     | 113     | 71       |
| Egypt (b)  | 1985                     | 2,933.51               | 60.48                    | 142                    | 185     | 95       |
| Egypt (c)  | 1985                     | 1337.80                | 27.58                    | 71                     | 185     | 95       |
| India      | 1985                     | 691.24                 | 0.92                     | 71                     | 145     | 93       |
| Mexico     | 1984                     | 1,110.50               | 14.46                    | 73                     | 670     | 99       |
| Morocco    | 1985                     | 277.48                 | 11.75                    | 68                     | 227     | 140      |
| Pakistan   | 1985                     | 145.53                 | 1.51                     | 34                     | 71      | 50       |
| Sri Lanka  | 1985                     | 68.44                  | 4.32                     | 42                     | 89      | 51       |
| Zambia     | 1982                     | 17.01                  | 2.82                     | 38                     | 52      | 41       |

In addition, this study found that there was a significant contraction in “key social service”<sup>106</sup> availability, rapidly escalating user costs<sup>107</sup>, and a general deterioration in the quality of the services delivered in most of the countries<sup>108</sup>. Declines in food intake or availability for the bottom twenty to forty per cent of the population<sup>109</sup>, were found, as

<sup>104</sup>*Ibid.* at 84.

<sup>105</sup>Egypt (b) represents using the official exchange rate, while Egypt (c) uses the free market exchange rate.

<sup>106</sup>Although Cornia neglects to say what these key social services specifically are, Jaramillo, *supra* note 92 at 82.

<sup>107</sup>*Ibid.* at 82-85.

<sup>108</sup> *Ibid.*

<sup>109</sup>In Sri Lanka, Brazil, Peru, Philippines and Ghana, Cornia *supra* note 77 at 28.

well as declines in educational services available<sup>110</sup>, increased infant mortality and child deaths<sup>111</sup>, increased malnutrition<sup>112</sup>, and reduced educational attainment, due largely to decreased general enrollments<sup>113</sup>. Although this study does not suggest that the IMF adjustment and austerity programmes are the sole cause of these upheavals, it appears that, when these programmes are combined with already existing financial crises, the results are augmented.

Further, observed decreases in the real value of government expenditures on food subsidies are not only due to explicit policy action aimed at subsidy programmes. Devaluations of national currencies and rising import prices of subsidized goods, according to this study, have contributed to falling subsidy costs in dollars in many countries with little or no explicit policy action toward food subsidies<sup>114</sup>. The net effect of the reduction of subsidies is higher prices.

Generally, these effects can be related back to the discussion in Chapter Two regarding the inappropriateness of microscientific definitions of development. Because development

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<sup>110</sup>*Ibid.* at 29.

<sup>111</sup>*Ibid.* at 29-30.

<sup>112</sup>"The nutritional status of children has deteriorated in all but 2 out of 10 of the sample, *ibid.* at 11.

<sup>113</sup>*Ibid.* at 33.

<sup>114</sup>Jaramillo, *supra* note 92 at 87.



principles are reductionist, and do not consider the social costs<sup>115</sup> as a result of its limited premises, developing countries must struggle to achieve numerical, economic improvement. This struggle not only causes further indebtedness<sup>116</sup>, which is exacerbated by conditionality, but also causes a definite decrease in the fulfilment of the basic needs of the poor. These results are unacceptable. No individual, regardless of gender, should be subjected to increasing disenfranchisement and poverty because of the inappropriate microscientific development principles, such as those employed by the IMF. Unfortunately, women, more than men, suffer the consequences of microscientific development, as will be examined in Chapter Six.

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<sup>115</sup>Which will be specifically defined and addressed below.

<sup>116</sup>As described by Korner, *supra* note 8 Chapter One, at 35-48, regarding indebted industrialization. In particular, he describes how mega-projects were instituted in developing countries, for the purpose of creating more exports. These exports were expected to improve the relative numerical wealth of developing countries, as compared to the "more developed and industrialized" countries. However, the industrialization did not have that effect. Because of poorly designed and implemented project planning, the mega-projects were often a complete failure. The only result of these projects was more debt for the developing countries.

## Chapter Six

Women in developing countries disproportionately bear the costs associated with microscientific development, as applied by the IMF. This is because there are inherent, interrelated flaws in microscience, contemporary development principles, and IMF conditionality.

Prior to the analysis of these inter-relationships, two issues must be addressed. First, the colonization of developing countries and the influence of the white, Western patriarchy did not completely cause undesirable gender-biased effects against women in developing countries. In some instances, gender bias, in the form of cultural-specific male dominance over women existed, according to recorded history. However, because this history was chronicled by the students of patriarchy, namely microscience-indoctrinated academics and historians, the true nature of these relations, and their relative effects on the lives of women are not clearly ascertainable. Nevertheless, it is conceded that although microscience, contemporary development principles and the IMF conditionality all contribute to the current disenfranchisement of women in developing countries, some of the causes of gender-bias effects could result from pre-existing cultural biases.

Second, although contemporary notions and applications of microscience, development and IMF conditionality originate with the white, Western patriarchy, these prescriptions may be affected by pre-existing ideologies existing in various regions. For example, if a

culture, in and of itself, was gender-biased, this concept would clearly influence the manner in which that culture chose to interpret and apply the white, Western patriarchal epistemologies, methodologies, information and 'directives'. It is reasonable to assume that the historical views of a culture affect its current realities. Nevertheless, it is indisputable that the white Western patriarchal notions and applications of microscience, development, and IMF conditionality specifically cause detrimental effects in the lives of poor women in developing countries. For the purposes of this work, the influence of the white, Western patriarchy is the only proposition that will be considered in the following discussion.

As described in Chapter Two, microscience categorizes all subjects of study based on its reductionist assumptions. This reductionism changes subjects into the sum of component parts, and removes them out of the external conditions in which they operate. Often this leads to inappropriate and inaccurate categorizations and definitions of subjects.

Specifically, microscience has inappropriately categorized women as 'dependant'; it assumes that women are generally incapable of looking after themselves, and therefore must be controlled, protected and provided for by men. This characterization overlooks the reality that many developing country women are not, and cannot be dependant, because of the external environment within which they operate.

In conjunction with the characterization of women as 'dependant', microscientific

principles only contemplate developing country women's contributions in their roles in the family. Further, this work is not deemed 'valuable' by microscience, since value is defined by numerical measurements of the marketplace. According to the model, that which cannot be valued in the marketplace is valueless. This results in the general exclusion of the work of many women from the scope of microscientific consideration.

Since microscientific assumptions form the foundation for contemporary notions of development, development is similarly misconstrued. Development principles also presume that women are dependant, and 'taken care of' by patriarchy. Even if there is no 'patriarchal authority' providing for the needs of developing country women, the patriarchal institution of welfare is assumed to deal with any anomalies<sup>1</sup>. Therefore, when development principles are envisaged, there is no consideration of meeting the unique requirements of the 'unconventional', female 'aberrations' to the microscientific categorizations of women. Therefore, independent, 'non-welfare' women's issues are not specifically addressed by development as the existence of these issues is virtually unrecognized. When combined with the inherent gender biases of microscience, this lack of consideration leads to the increasing disenfranchisement of poor women in developing countries.

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<sup>1</sup>The anomalies, specifically, are situations where a woman does not have a man to support here, Sally Bould, "Development and the Family, Third World Women and Inequality", found in M.F. Abraham & P.S. Abraham, eds., *Women, Development and Change, The Third World Experience* (Bristol, Indiana: Wyndham Hall, 1988) 50 at 55.

The effects of microscience and development can be observed by considering the example of the IMF. Specifically, the IMF's requirements of devaluation and monetary and fiscal policy modifications make the lives of poor women worse, as will be discussed below. It is because of the foundational relationship between microscience, development and the IMF, that developing country women disproportionately bear the burden of poverty.

### **1. Flaws in Microscientific Development Relating to Women**

As shown in Chapter Two, the scientific method, by definition, tends to reduce an object to the sum of its parts, removed from the external conditions in which the subject naturally exists. As a result of this reduction, subjects are categorized and classified, with no allowances being made for contingent, unexpected, or unanswerable considerations<sup>2</sup>. This is what has happened to women in developing countries. The most prevalent<sup>3</sup> microscientific definition of woman assumes that she will be dependant on man, since "she is not able to provide for herself financially"<sup>4</sup>. She is classified as a housewife, family nurturer, and generally has a supporting role for her husband, the primary breadwinner:

The model of the family . . . involved a division of labour in which the wife in her expressive role was responsible for child care, cooking, housekeeping and general nurturance while the husband in his instrumental role took responsibility for providing economic security. This division of labour within the family was assumed to be universal and ethnographic research was interpreted to support the

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<sup>2</sup>Chapter Two at 12-15.

<sup>3</sup>Kabeer, *supra* note 2 Chapter Two at 190.

<sup>4</sup>Chapter Two at 15-24.

argument of universality. Hence, the traditional model of development included an implicit assumption that women in developing societies would be provided for by men. Often it was only men who were included in labour supply model<sup>5</sup>.

No allowances in the microscientific definition are made for the possibility that women might not fit into this definition. In fact, women of developing countries largely *do not* fit into this categorization. Women in developing countries frequently must be the primary breadwinner for their families. Buvinic and Yudelman<sup>6</sup> have indicated that "roughly one-third of all households in the Third World are headed by women, and in some regions, such as the cities of Latin America and the rural areas of some African countries, the percentage is closer to one-half"<sup>7</sup>.

In a squatter settlement near Nairobi, Kenya, Nelson estimated that 60 to 80 per cent of women in the settlement were independent heads of households. In the Caribbean, female urban migrants often leave their children behind with their mothers, so that the rural areas of many territories become dominated by households headed by grandmothers.<sup>8</sup>

Many developing country women do not have the luxury of being part of a traditional nuclear family<sup>9</sup>, which includes a primary male breadwinner, a mother / wife, and

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<sup>5</sup>Bould, *supra* note 1 at 51.

<sup>6</sup>Buvinic, *supra* note 13 Chapter One at 9.

<sup>7</sup>*Ibid.*

<sup>8</sup>Janet Townsend and Janet Henshall Momsen, "Towards a Geography of Gender in Developing Economies", in Janet Henshall Momsen and Janet G. Townsend, eds., *Geography of Gender in the Third World* (Albany: State University of New York Press, 1987) 27 at 53.

<sup>9</sup>Bould, *supra* note 1 at 51.



children<sup>10</sup>.

Thus, one of the primary reasons<sup>11</sup> that deterioration in the lives of developing country females is occurring is the failure of microscientific development to recognize the triple role<sup>12</sup> women must fulfill in developing countries. The roles include reproductive work (including childbearing and rearing), productive work (as wage earners) and community management work, involving assistance for the collective consumption of the community.<sup>13</sup> The reproductive and management roles are specifically not recognized, as they are deemed natural and non-productive, and are therefore not valued<sup>14</sup>. This situation causes most of the work of women to be invisible. Women, as a result, are in a worse position than men, whose productive, wage earning activities are both rewarded and sanctioned by microscience, even though "women (still) perform two-thirds of the

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<sup>10</sup>See generally, M. Zelditch, "Role Differentiation in the Nuclear Family: A Comparative Study", T. Parsons & R.F. Bales, eds., *Family Socialization and Interaction Process* (New York: Free Press of Glencoe, 1955) 301 at 307-351.

<sup>11</sup>Moser, *supra* note 108 Chapter Two at 13.

<sup>12</sup>Some authors, like Kabeer, hold that women have a dual role, rather than a triple role. Kabeer sees women's roles to consist of domestic duties, and employment duties, Kabeer, *supra* note 2 Chapter Two at 98. Moser's characterization may be more valid, however, *supra* note 108 Chapter Two at 13-15 because in subsistence economies, it is not uncommon, according to Shiva, *supra* note 11 Chapter Two at 32, for women to pool their meagre resources, for the collective use. This cooperation only occurs if it is organized by the women. Therefore, if these cooperative activities are taking place in the community, women do, indeed, have a triple role.

<sup>13</sup>Moser, *supra* note 108 Chapter Two at 13.

<sup>14</sup>*Ibid.*

world's work hours"<sup>15</sup>.

In considering the apparently imperceptible triple role of women, regard should be made to the nature of microscience. The essence of this paradigm is as follows<sup>16</sup>:

The first step is to measure whatever can be easily measured . . . the second step is to disregard what can't be measured . . . the third step is to presume that what cannot be measured easily is not very important . . . the fourth is to say that what cannot be easily measured really does not exist.<sup>17</sup>

Thus, because women's work consists of both paid and unpaid activities<sup>18</sup>, much of women's work is excluded from the numerical indices of development. This style of development has caused the basic needs fulfilment of developing country women to be reduced:

In much of the Third world, this type of 'development' has eroded women's status relative to men's and usurped their productive roles in agriculture and handicrafts production. Women have frequently failed to find in the modern sector adequate replacements for their traditional roles, both because they rarely have the educational qualifications and because they have internalized patriarchal definitions of appropriate female roles. Thus while modernization has improved the situation of some groups, it has threatened the material well-being of a substantial proportion of the Third World women.<sup>19</sup>

Returning to the example of the IMF, it can be specifically seen how women are

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<sup>15</sup>Yet receive only 10 per cent of the income and own less than 1 per cent of the property. *Ibid.* These points will be further discussed.

<sup>16</sup>Kabeer, *supra* note 2 Chapter Two at 79.

<sup>17</sup>*Ibid.*

<sup>18</sup>With the unpaid work being mostly familial, in nature.

<sup>19</sup>Ester Boserup, *Women's Role in Economic Development* (London: Allen and Unwin, 1970) at 53-65.

disenfranchised by microscientific development principles.

## **2. Flaws in the IMF Application of Conditionality to Women**

As described in Chapter Four, the IMF typically requires devaluation and monetary and fiscal modifications in the country of conditionality application. A number of consequences occur as a result of these policy revisions which include: reduced government spending on education, social programmes, welfare, food subsidies, health and increased violence. Further, the IMF's conditionality requirements reduces the purchasing power of the poor, which specifically causes increased workloads for developing country women. In addition, access to development programmes for women, which might alleviate their poverty, is limited through microscientific gender bias. It will be shown that the IMF's application of conditionality in developing countries clearly has a disproportionate impact on women.

When the IMF applies conditionality, generally there are fewer jobs available, and the employment that is available will have reduced wages, because, devaluations and monetary and fiscal policies tend to reduce profitability of business<sup>20</sup>. When profits fall, owners of capital and production typically re-evaluate the "bottom line" of their businesses. Layoffs and reductions of wages and staff levels tend to occur when profits fall<sup>21</sup>. Low-level staff

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<sup>20</sup>Lombardi, *supra* note 7 Chapter Two at 229.

<sup>21</sup>*Ibid.* at 229.

are often categorized as "redundant" and "laid off"<sup>22</sup>. If these workers are replaced, they are often replaced with less adequately trained individuals, who will work for a significantly reduced wage level<sup>23</sup>. The net effect of these changes is that the poor and middle classes become poorer, and generally, there is less disposable income in the country<sup>24</sup>. Recession may result from these policies<sup>25</sup>. This is particularly damaging to women, as most often they are at the bottom of the employment hierarchy, and are likely to become classified as 'redundant' and fired:

The adjustment measures mandated by . . . the IMF have had an impact on women's employment and income-earning opportunities. Women are often the last hired and the first fired. They also find themselves "bumped down" the employment ladder when jobs of men on rungs above are eliminated. During times of prosperity, women fill jobs in the modern economy, but lose them to men during recessions. Women perform low-paid, menial work outside the modern economy - work not covered by modern labour regulations. Basically they take any work they can find to supplement a reduced household budget. Furthermore, when the economy declines, people cut back on expenditures. As a result of currency devaluation in Latin America, for example, many jobs in the service sector, in which women predominate, have been eliminated. Cutbacks in social service budgets also have more of an effect on women because they are more likely to be employed by agencies that deal with health, education and welfare.<sup>26</sup>

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<sup>22</sup>Sachs, *supra* note 32 Chapter Four at 117-119.

<sup>23</sup>Budhoo, *supra* note 44 Chapter Four at 78.

<sup>24</sup>Besides a reduction in the quality of the goods and services available, because of untrained staff.

<sup>25</sup>See discussion in Chapter Five for the statistics of declining incomes in developing countries, once the IMF programmes are in places. Dell, *supra* note 19 Chapter Four has suggested that real wages in developing countries were decreased between 20 to 40 percent over a short time frame. This decrease surely would be dangerous for individuals or family units that were already perilously close to starvation.

<sup>26</sup>Buvinic, *supra* note 13 Chapter One at 16.

Women are at the bottom of the employment hierarchy because they generally have poor educations. Poor education of developing country populations can be exacerbated because, when government spending reductions are necessary, education budgets are typically reduced<sup>27</sup>. Buvinic has provided statistics<sup>28</sup> which set out the changes in education<sup>29</sup> budgets of various governments. She states that according to UNICEF<sup>30</sup>, "the world's least-developed countries have cut these budgets by twenty-five percent"<sup>31</sup>.

This reduction on education spending has a greater negative effect on women than on men. As education expenditures decline and school fees increase, females are at a particular disadvantage. Parents prefer to educate sons because their job prospects are

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<sup>27</sup>*Ibid.* at 22.

<sup>28</sup>Specifically, Buvinic found the following decreases in education expenditures as a percentage of total government expenditure: (comparing 1972 to 1976 levels of expenditure): Botswana, 10.1% to 17.7%, Burkina Faso, 20.6% to 17.7%, Ghana, 20.1% to 23.9%, Kenya, 21.9% to 19.7%, Lesotho, 22.4% to 15.5%, Malawi, 15.8% to 11%, Mauritius, 13.5% to 13.4%, Morocco, 19.2% to 16.6%, Tunisia, 30.5% to 14.3%, Uganda, 15.3% to 15%, Zaire, 15.2% to .8%. There are no statistics indicating when the IMF conditionality was instituted in these countries. Further, there are no statistics showing the actual effect of the IMF conditionality on education expenditures. However, the relationship between IMF entrance into a country and the cutbacks in education should be the subject of further study. However, this study is beyond the scope of this work, *ibid.*

<sup>29</sup>Bould states the following with respect to the status of women in India, based on the 1974 report by the Committee on the status of women in India: female illiterate women rose from 142 to 215 million, Bould, *supra* note 1 at 59.

<sup>30</sup>United Nations Children's Fund.

<sup>31</sup>Buvinic, *supra* note 13 Chapter One at 14.



better.<sup>32</sup> In addition, there is the ongoing perception<sup>33</sup> that males will be the primary breadwinners in the families. Therefore, parents perceive, as mentioned above, that males ought to be educated rather than females. However, given the amount of women who must be heads of households, this reasoning is inaccurate:

Schooling for girls is not considered as important because they are not perceived as potential breadwinners. This myth goes hand in hand with the belief that women's education and women's work have little value and are of less importance to family welfare. But mothers' not father's education is the most important factor contributing to children's health.<sup>34</sup>

Lower education levels for women in developing countries mean that the jobs that women are qualified to take are more limited than those available to men. Obviously managerial, governmental, or any other jobs that require training are not available to those individuals without the requisite training. As a result, many women are unemployed or underemployed, and have, it seems, no entitlement to a decent, adequately paid job with reasonable working conditions. This effect is further amplified by the fact that in many cultures, it is perceived as socially undesirable for women to work<sup>35</sup>:

When women enter the labour market . . . their job situation largely reflects their ideological confinement to the domestic sphere and the wife-mother role. The image that women are subsidiary wage earners with husbands to support them becomes an excuse for paying them wages below the value of their labour power. Labour market segregation tends to confine them to personal service jobs seen as extensions of their domestic roles, or to manufacturing or clerical tasks believed

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<sup>32</sup>*Ibid.* at 14.

<sup>33</sup>That is, the expectation of a nuclear family situation.

<sup>34</sup>Buvinic, *supra* note 13 Chapter One at 22.

<sup>35</sup>*Ibid.* at 24.



suiting to their manual dexterity, tolerance for monotony, or other 'inherently female' characteristics. Such positions are typically poorly remunerated and offer little prestige or decision-making power.<sup>36</sup>

It is a vicious circle for developing country women. They hold menial, low-paying jobs because they are not educated, but cannot become educated because they are women. If the primary wage earner<sup>37</sup> of a family unit is not able to get employment, the family unit must then rely on seasonal, low-paying work that is temporary in nature<sup>38</sup>, or rely on government social programmes for survival. However, government programmes are also more difficult to attain when the IMF applies its programmes of conditionality.

The ability of the poor to rely on social programmes is also diminished, once IMF conditionality is imposed in the developing country. This is because, as described in Chapter Five, the IMF monetary and fiscal policies require reduced government expenditure. Typically, these reductions include reductions in food subsidies, and access to government economic programmes. According to Moser<sup>39</sup>, historically, the initial

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<sup>36</sup>Veronica Beechey, "Women in Production a Critical Analysis of Some Sociological Theories of Women's Work", in A. Kuhn, A. Wolpe (eds), *Feminism and Materialism* (London: Routledge, 1978) 155 at 186.

<sup>37</sup>Whether male or female.

<sup>38</sup>When jobs are not available, men tend to migrate to the cities, and often the women and children are left behind to fend for themselves, Buvinic *supra* note 13 Chapter One at 4.

<sup>39</sup>Carolyn Moser, "Gender Planning in the Third World: Meeting Practical and Strategic Gender Needs", (1985) 17(11) *World Development* 1799 at 1813, [Hereinafter, Moser II].

availability of these programs originated with the "nineteenth century Poor Laws". These Poor Laws came into existence in Europe at a time when individual effort in the marketplace was seen as the recommended route to individual self-improvement. The poor were seen as the failures of the system and incapable of helping themselves. The fulfilment of their basic needs became the responsibility of charities and social welfare programmes. This ideology of the poor, of their failures and requirements of welfare was, according to Kabeer, "imported into the Third World"<sup>40</sup>. Because of this importation, and because of the "deep-rooted, normative assumptions about the division of the roles between the sexes"<sup>41</sup>, it was felt that women's issues could be dealt with by welfare, whereas men's issues could be dealt with by measures under which they could "self-improve". This goes back to the patriarchal notions that women were 'helpless, dependant and unable to work'. As Kabeer states: "Women entered (welfare) programmes passively rather than actively, as recipients rather than contributors, clients rather than agents, reproductive, rather than productive."<sup>42</sup> But, because this segment of government expenditure is deemed non-productive<sup>43</sup>, government cuts in these areas are frequent once IMF conditionality is instituted.

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<sup>40</sup>Kabeer, *supra* note 2 Chapter Two at 6.

<sup>41</sup>*Ibid.* at 6.

<sup>42</sup>*Ibid.*

<sup>43</sup>At least, in terms of increasing economic development, from a neoclassical viewpoint.

Social sector spending is also often reduced, causing less funding to be available for other basic needs such as clean water, sanitation, health, education, government funding of self-help development programmes, and deteriorating transportation systems. Although Cornia notes<sup>44</sup> that most cuts are made in the economic service area, even the most minor cuts in any of these areas can be disastrous for those already impoverished. Since women are the "poorest of the poor"<sup>45</sup>, the burden of these cuts lies heavily upon them. For example, when food subsidies are cut, although there will be a reduction in the amount of food able to be purchased, it is the women who will be forced to take the greatest cuts in caloric intake<sup>46</sup>. Women will also have to forage for extra food in the common land, in order to make up for this loss. However, given that the common land is being reduced because of capitalist demands for production for export, even this resource is becoming increasingly scarce for women<sup>47</sup>. Women must walk further and further, and spend increased hours looking for food, fodder and clean water<sup>48</sup>. Even with this increased effort, food intake has declined for the bottom twenty to forty percent of developing

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<sup>44</sup>Giovanni Andrea Cornia & Francis Stewart, "Country Experience with Adjustment", in Cornia, *supra* note 93 Chapter Four at 124, [Hereinafter, Cornia & Stewart].

<sup>45</sup>Buvinic, *supra* note 13 Chapter One at 24.

<sup>46</sup>Again, because there is limited food availability for women. See discussion below.

<sup>47</sup>Shiva, *supra* note 95 Chapter Two at 124-132.

<sup>48</sup>Or at least clean enough so that the water doesn't harm the women and her family unit members, *ibid.* at 124.

country populations<sup>49</sup>. Lack of sanitation because of over-population, particularly in the cities, is common, because in times of economic scarcity, men migrate to the cities in search of work<sup>50</sup>. Sanitation attempts in rural areas usually fail, because they are designed without consideration of the needs of the people, or the needs of women and children. In addition, in times of foreign currency shortage, imported replacement parts cannot be purchased.<sup>51</sup> Because women are primarily responsible for family sustenance, women's lives are worsened.

It must also be noted that prior to any cutbacks in social programmes, women already suffer from less nourishment and fulfilment of other basic needs than their male counterparts. Buvinic, for example, notes the disparity of food availability of males and females:

Benefits are often unequally distributed within families, with men and boys usually favoured over women and girls. In times of scarcity, women and girls lose out in terms of quality and quantity of food as well as other resources. The reason for this discrimination are grounded on the belief that males are more critical to family survival than females. It does not mean that men do not care for their womenfolk. But poverty dictates painful choices, and the belief that males are the breadwinners guides decisions in favour of men and boys.<sup>52</sup>

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<sup>49</sup>*Ibid.* at 126.

<sup>50</sup>*Ibid.* at 125-126.

<sup>51</sup>For example, toilets, which were not understood, nor desired in an area were used to store beans, since their installment was not required in that community, *Ibid.* at 49.

<sup>52</sup>Buvinic *supra* note 13 Chapter One at 21-22.

Kabeer also notes the disparity for food availability between women and men<sup>53</sup>. Statistically, pregnant and lactating women are the most disadvantaged in terms of proportionate caloric requirements being fulfilled<sup>54</sup>. This situation is particularly desperate, since two-thirds of the women in reproductive ages (15-45) are pregnant, lactating, or both<sup>55</sup>. Further, fifty-nine percent of girls, as compared to fifty-six percent of boys, suffered chronic malnutrition, while ten percent of girls and seven percent of boys suffered acute malnutrition<sup>56</sup>. Further, the average weight of boys had improved during the 1980s, whereas girls showed little or no improvement.<sup>57</sup> Males are obviously better off with respect to distributed and available food, than are the developing country women.

Cultural practices have a significant impact on the fulfilment of caloric requirements; "practices that lead to inequitable gender distribution of food in the family include feeding

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<sup>53</sup>Kabeer is looking at the situation in Bangladesh, however, she also seems to make some generalizations on food availability for women in this section. Kabeer, *supra* note 2 Chapter Two at 142-146.

<sup>54</sup>W. Mahmud and S. Mahmud, *Aspects of the Food and Nutritional Problem in Rural Bangladesh*, ILO/WEP Research Working Paper 10-6/wp74, (1985), as cited in *ibid.* at 147.

<sup>55</sup>*Ibid.*

<sup>56</sup>Kabeer, *supra* note 2 Chapter Two at 143, citing UNICEF, *Analysis of the Situation of Children in Bangladesh*, (Dhaka, UNICEF, 1987).

<sup>57</sup>This study was specific to Bangladesh. M.K. Chowdhury, A. Razzaque, S. Becker, A.M. Sarder, S. D'Souza, *Demographic Surveillance System - Matlab. Volume Nine. Vital Events and Migration - 1979* (Dhaka: International Centre for Diarrhoeal Disease Research Bangladesh, 1982).

males first, particularly adult males, and giving them the choicest and largest servings<sup>58</sup>. Once the conditionality programmes are implemented, women's nutritional status deteriorates further, because of the loss of purchasing power and resource availability noted above.

Should the calories, distribution and diversity of the food not be satisfactory to the household males, violence can result from disputes over food<sup>59</sup>. Since men are often bigger and stronger than women, and quite capable of inflicting bodily harm on them, women have to choose between black eyes or empty stomachs.<sup>60</sup> Most choose empty stomachs.<sup>61</sup>

Many women experience increased violence, no matter what concessions they make to men, once IMF conditionality is imposed. Bould<sup>62</sup> has stated that "a deterioration of the relative or absolute economic situation of families puts new and heavy stress on family relationships. One or both marital partners is likely to be blamed for failure to meet their economic obligations . . . the woman is more likely to see her household position

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<sup>58</sup>Kabeer, *supra* note 2 Chapter Two at 143.

<sup>59</sup>*Ibid.* at 144.

<sup>60</sup>*Ibid.*

<sup>61</sup>*Ibid.* at 144-45.

<sup>62</sup>Bould, *supra* note 1 at 62.



deteriorate further than the man's under the process of dualistic development."<sup>63</sup> Because she is a 'failure', she generally faces more violence.

According to Kabeer, "domestic violence against women and children is a widespread but poorly documented phenomenon"<sup>64</sup>. Husbands, brothers, uncles and sons are violent in conflicts over resource distribution<sup>65</sup>. Although statistics on this violence are not usually available, suicides, murders, sexual assault and 'unnatural' death records may show the existence of this violence. Hartmann and Boyce<sup>66</sup> show that the list of suicides or "accidental death through drinking pesticides" in many villages in Bangladesh is predominantly female. Further, "unnatural deaths" was the single greatest cause of death among adult women: higher than maternal mortality and higher than the equivalent figure for men.<sup>67</sup> A NORAD study<sup>68</sup> found that the reasons that women turned to prostitution<sup>69</sup> were largely related to male violence, and included rape, divorce or remarriage by

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<sup>63</sup>*Ibid.* at 62.

<sup>64</sup>Kabeer, *supra* note 2 Chapter Two at 149.

<sup>65</sup>*Ibid.* at 149.

<sup>66</sup>B. Hartmann and J. Boyce, *A Quiet Violence, View from a Bangladesh Village* (London: Zed Books, 1983).

<sup>67</sup>Government of Bangladesh, *Women and Men in Bangladesh: Facts and Figures 1992, An Executive Summary* (Dhaka: Bangladesh Bureau of Statistics, 1992).

<sup>68</sup>NORAD, *Report on Feasibility Study on Training and Rehabilitation of Socially Handicapped Women (Prostitutes)* (Dhaka: Engineering Science, 1988).

<sup>69</sup>In 45 out of 60 interviews.

husbands, allegations of immorality by neighbours, or sale into prostitution.<sup>70</sup> Government institutions appear to ignore this violence, and, as a result, the issue is never addressed<sup>71</sup>.

It is important to understand that one of the reasons why this abuse is occurring is the high level of anxiety developing country populations feel, with respect to their own chances of survival. Conditions of scarcity cause frustration and uncertainty in all people.

Developing country men are faced with the perception that they should be providing for their families. When they cannot, they turn to take out their frustrations and uncertainties on those over whom they have power<sup>72</sup>. Often, it is "their" women and children. Some men view the women and children as 'parasites', without whom, they could enjoy a luxurious lifestyle<sup>73</sup>. As economic situations deteriorate, and all the assets of the women are sold off<sup>74</sup>, men become increasingly frustrated. This frustration is evident in the occurrence of 'IMF riots', political uprisings and coups that occur after the IMF imposes its programmes<sup>75</sup>. Women will continue to experience violence against them, usually at an

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<sup>70</sup>As cited in Kabeer, *supra* note 2 Chapter Two at 150.

<sup>71</sup>*Ibid.*

<sup>72</sup>*Ibid.* at 146-153.

<sup>73</sup>See Hartmann, and Boyce *supra* note 66 at 122-126.

<sup>74</sup>Which happens regularly, according to Kabeer, *supra* note 2 Chapter Two at 207.

<sup>75</sup>Although it is difficult to prove that the riots resulted directly from IMF involvement, as was discussed in Chapter Five.

increased frequency and intensity<sup>76</sup>. Once conditionality is imposed, this hypothesized increased violence against women should be a subject of further study<sup>77</sup>.

Besides having their health threatened by violence against them, women's health is also threatened by government cutbacks. Social expenditure reduction, due to IMF requirements of government frugality, also affect levels of health care in developing countries. Women are most affected by these cutbacks.

First, it must be recognized that women, generally, control the levels of health in the family. Buvinic states as follows:

Many of the tasks that women perform as homemakers and mothers are critical for the prevention and treatment of childhood diseases and malnutrition. In developing countries, at least 75 percent of all health care takes place within the family. It is women, particularly in their roles as mothers, who carry the responsibility for family health. Since health services in rural areas are limited, the poor generally do not have access to hospitals and modern medicine. Women treat common diseases and injuries, and take children and the sick to a health centre if there is one.<sup>78</sup>

Although this reliance on women for health care is somewhat recognized by governments<sup>79</sup>, there is not sufficient funding of this area to ensure that women have all

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<sup>76</sup>*Ibid* at 211.

<sup>77</sup>Due to the limited nature of this treatise, this study will not be undertaken here.

<sup>78</sup>Buvinic, *supra* note 13 Chapter 1 at 32.

<sup>79</sup>Who, according to Buvinic, *supra* note 13 Chapter One at 32, tend to train women in health care matters. It is questionable, however, exactly the amount and type of training women receive, and will continue to receive, considering the reduced budgets for health care, as a social service.

the tools available to them, to ensure optimum<sup>80</sup> or even *adequate* health care for their families. Funding is even more insufficient, once government expenditures in this area are reduced due to conditionality.

Further, gender biases exist in the health standard<sup>81</sup> of men and women in developing countries. Chen *et. al*<sup>82</sup> showed that the attendance of male children to health clinics was higher, even though rates of illness of boys and girls was the same. In cases of diarrhoea, 66 percent more boys were taken for treatment.<sup>83</sup> Mortality rates in developing countries are very high<sup>84</sup>, and is higher amongst women who "have not been successful in producing a live birth or healthy children, particularly healthy sons, and who are usually under intense pressure to undergo a succession of closely spaced births".<sup>85</sup> Further, Mahmud and Mahmud point out "in a woman who is undernourished and anaemic to begin with,

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<sup>80</sup>Or at least, adequate.

<sup>81</sup>Both expected, and actual. Since women in developing countries have not had the same levels of care that men have had, once development notions are imported into these countries, women and men may be used to the fact that women are only entitled to minimal health care. Please see Cornia, *supra* note 77 Chapter Five at 45, for a discussion of this point.

<sup>82</sup>L. Chen, A. Chowdhury & S. Huffman, "Anthropometric Assessment of Energy Protein Malnutrition and Subsequent Risk of Mortality of Among Pre-School Aged Children", (1980) 5(11) *Studies in Family Planning* 322 at 334-341.

<sup>83</sup>N. Sabir & G. Ebrahim, "Are Daughters More at Risk than Sons in Some Societies?" (1984) 30 *Journal of Tropical Paediatrics* 25 at 27.

<sup>84</sup>Kabeer, *supra* note 2 Chapter Two at 147, uses the example where in Bangladesh, mortality is 5-7 percent per live thousand births.

<sup>85</sup>*Ibid.*

[pregnancy] can create a life-threatening condition leading to premature death<sup>86</sup>.

D'Souza and Chen show that although females have a biological advantage of survival for the first month of birth, in the first four years of life, half as many more girls are likely to die as boys<sup>87</sup>. It is also life-threatening for a female, particularly when pregnant or lactating, to become ill in developing countries. High maternal deaths prove this<sup>88</sup>. Illness is quite likely considering the lower availability of health care, and the previously mentioned reduced access to food. Thus, the IMF, by demanding developing country thriftiness, indirectly ensures that what little health expenditures were being made on women, are transferred to men.

Yet another IMF imposed result further degrades the quality of life of women in developing countries. As noted in Chapter Four, IMF conditionality usually includes devaluation. This rather ineffective method of improving numerical indices has the effect of making products and services more expensive to acquire. Exports become more expensive, and there will be a correspondingly increased demand for local products<sup>89</sup>. Further, because of increased demand for scarce local products, it is likely that the price of

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<sup>86</sup>Mahmud, *supra* note 54 at 17.

<sup>87</sup>S. D'Souza & L. Chen "Sex Differentials in Mortality in Rural Bangladesh" (1980), 6(2) *Population and Development Review* 257 at 265.

<sup>88</sup>Kabeer, *supra* note 2 Chapter Two at 148-150.

<sup>89</sup>See Chapter Four, for a discussion on this point.

local products will also increase<sup>90</sup>. Immediate actual cost increases for imported products, and a longer-term<sup>91</sup> increase in price of domestic products are typical results<sup>92</sup>. This leads to decreased purchasing power of consumers, causing decreased fulfilment of the basic needs of women.

Often, there are no local products which can be consumed alternatively to imports<sup>93</sup>. Many production facilities are used to produce high demand products, rather than basic needs products<sup>94</sup>. If there are no local switchable products, basic goods which the household is used to consuming simply are more expensive, or not available. The lack of basic goods compromises the health and survival of the family. As described above, loss of goods available to the population usually falls on the shoulders of women.

The governments of developing countries have attempted to defend themselves from the criticism of ignoring the impoverishment of the population by stating that there are

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<sup>90</sup>Lombardi, *supra* note 7 Chapter Two at 28.

<sup>91</sup>This increase in prices could also be noticed on a shorter term, but the length of time between the devaluation and the price change would depend strongly on the elasticities of supply and demand for the product in question. If there is a shortage of the product, production for other products may be changed to produce more of the high demand product. With deteriorating land use for women, their access to agricultural lands, for example, would be reduced because of these devaluations.

<sup>92</sup>Lombardi, *supra* note 7 Chapter Two at 29.

<sup>93</sup>*Ibid.* at 26.

<sup>94</sup>*Ibid.* at 25.



development programmes in place to assist people in finding suitable self-employment, or "money making" opportunities.<sup>95</sup> Although these programmes may be beneficial, for some segments of the population, women's access to these programmes has been, and continues to be limited.

For example, Boserup<sup>96</sup> has argued that "various colonial and post-colonial governments have systematically bypassed women in the diffusion of new technologies, extension services and other productive inputs because of their perceptions - or misperceptions - of what women did"<sup>97</sup>. The programmes that were, and continue to be, available to women, according to Kabeer<sup>98</sup>, are typically staffed by men, who do not necessarily understand women's needs and issues. Although it has begun to be recognized that, in the past, women's issues were not properly addressed, in order to rectify this, some gender training has been instituted by various agencies<sup>99</sup>. However, even though this training may have made some agencies aware of women's issues, many of the programmes, and their programmers, have not changed their perspectives to allow for women's concerns to be

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<sup>95</sup>Kabeer, *supra* note 2 Chapter Two at 20.

<sup>96</sup>Boserup, *supra* note 19 at 25-26.

<sup>97</sup>Boserup provides the example of farming, where women have essential roles, but are not recognized as farmers, but still as housewives and mothers only, *ibid.* at 25-49.

<sup>98</sup>Kabeer, *supra* note 2 Chapter Two at 7.

<sup>99</sup>Although this has not occurred for all such agencies, *ibid.* at 6-7.

met<sup>100</sup> :

The failure of modernization to benefit women was attributed to a variety of factors reflecting these different cultural contexts. In female farming systems, particularly in sub-Saharan Africa, women had been deprived of access to training, land rights, education and technology by colonial and post-colonial administrators whose biased perceptions led them to favour male farmers. In the market economies of the Third World, employers demonstrated a preference for men, creating a sex-stereotyped job hierarchy, while women's own prejudices and preferences inhibited them from seeking employment in the modern sector. This led to a divergence in attitudes since employment in the modern sector requires not only formal training but also a certain attitude to work which may be best described as the capacity to work regularly and attentively . . . those who work within the confines of the family are not likely to acquire this attitude.<sup>101</sup>

Moser, also has commented on the difficulty in receiving assistance from developing agencies for women. She states:

Methods of recruiting beneficiaries, including means of announcing the scheme, applications procedures and down payment requirements often inadvertently discriminate against or exclude women. When project authorities assume that everyone reads newspapers or public notices, with information distributed in written form, women are often missed. In many parts of the world, women's access to education is considerably less than that of men. In addition women are less likely to be exposed to information because of their lack of daily mobility. Responsibilities in the home mean that they are often unable to participate in activities where information is likely to be available . . . application and selection procedures often present problems for when they involve complex forms that require documental substantiation such as proof of identity and an employer's reference. Women are less likely than men to have been previously involved in formal dealings with public agencies and may have difficulties in filling out application forms.<sup>102</sup>

Kabeer suggests that the major consequence of this is that women are not seen as appropriate recipients of these programmes: "Planners, generally men - whether in donor-

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<sup>100</sup>*Ibid.* at 20.

<sup>101</sup>As found in *ibid.* at 20.

<sup>102</sup>Moser, *supra* note 112 Chapter Two at 214.

country agencies or in recipient countries - have been unable to deal with the fact that women must perform two roles in society, while men perform only one"<sup>103</sup>. Rogers<sup>104</sup> also concludes that existing programmes are discriminatory: "those aspects . . . of external influence and intervention which treat women as different from men, not because of their different traditional activities and responsibilities, but because of a very specific Western (men's) model of what women in general should be, and what they should and should not do"<sup>105</sup>. She further found that Western planners continue to perceive women as "illogical" and "irrational" and saw no reason to offer them incentives to participate in the development process; "instead, women were either treated as unpaid family labour controlled by male household heads or as unproductive mothers and wives"<sup>106</sup>. Typically, the response of development agency officials was as follows:

One of the most consistent responses of male planners to the introduction of discussion about women in development is to base their arguments against change on the domestic model familiar to them: 'my wife doesn't work', 'I get on very well with my daughters', 'my mother always said a woman's place is in the home' and other variations on the theme that all women should follow the model of feminine deportment which they consider correct.<sup>107</sup>

The data collection procedures of development agencies<sup>108</sup> have also had a negative effect

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<sup>103</sup>Boserup, *supra* note 19 at 22.

<sup>104</sup>Rogers, B., *The Domestication of Women: Discrimination in Developing Societies* (London: Kogan Page, 1980) at 34-36.

<sup>105</sup>*Ibid.* at 35.

<sup>106</sup>As found in Kabeer, *supra* note 2 Chapter Two at 23.

<sup>107</sup>Rogers, *supra* note 103 at 50.

<sup>108</sup>Such as the IMF.

on the discrimination in labour and development programmes for women. Statistics have a significant impact on what programmes are available to various segments of the population. Kabeer comments on this:

The imprint of sex-role stereotypes on the data-collection practices of development agencies had played a powerful role in defining women as housewives, regardless of the local reality.<sup>109</sup>

Because of a lack of reliable statistics regarding the true nature of developing country women's lives, coupled with the inherent microscientific biases against females, women's economic contributions have not been met with similar contributions in programmes and aid:

It is the blindness to these inequities more than the blindness of invisibility that stands in women's way. The blindness has an institutional and political base. One cannot help concluding that the real issue is who controls the resources distributed to, and deriving from, agricultural households. The reluctance to 'see' women farmers comes not from their invisibility, but from a reluctance to share scarce resources with them. Land labour, livestock, capital, technology, information, training - all are valued goods that imbue those who own or control them with power and prestige. Why should these resources be shared? Why should institutions be restructured, power bases challenged?<sup>110</sup>

There is one caveat to understanding the deteriorating effect of lack of access to social programmes has on women's lives. It must be remembered that the poorest of women generally have little or no access to government assistance programmes to begin with,

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<sup>109</sup>Kabeer, *supra* note 2 Chapter Two at 24.

<sup>110</sup>Dixon, R.B. (1985) "Seeing the Invisible Women Farmers in Africa; Improving Research and Data Collection Methods" in *Women as Food Producers in Developing Countries*, J. Monson and M. Kalb, eds. (Los Angeles: University of California Press, 1985) 19 at 32.

because of their gender<sup>111</sup>, and because of their extreme poverty. Therefore, the lack of access to social programmes may not affect them as severely as the "middle-class poor":

On the other hand, many poor women may have been relatively unaffected in the short term by cutbacks in welfare programmes their extreme poverty having prevented them from access to the programmes in the first place. In the long term, however, their chances to move out of poverty are further reduced as the number of poor people increases.<sup>112</sup>

Once IMF conditionality is imposed, even if there was the initial possibility of access to programmes, the reduction of government spending in this area presumably would further exclude women from benefitting from these programmes. In addition, if men lose access to these programmes, it will be the women who will have to make up the shortfall<sup>113</sup>. One way or the other, women will have to shoulder the burdens of the adjustment.

Developing country women are faced with decreasing incomes, decreased sustenance, increasing workloads, more violent home lives, and a bleak desolation of existence. This is unacceptable. Changes must be made. The next Chapter will outline some possibilities which would begin to change the uneven, unfair and biased disenfranchisement that development, developing country governments, and the IMF, each cause in the lives of developing country women.

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<sup>111</sup>Many of the programmes for subsidies for wages or food are distributed based on the male household head. Therefore, women household heads do not have access to these programmes: Buvinic *supra* note 7 Chapter 1 at 13.

<sup>112</sup>*Ibid.* at 15-16.

<sup>113</sup>*Ibid.* at 48.

## Chapter Seven

Thus far, it has been shown that the notions of development applied by the IMF are based on microscientific, reductionist principles. This application of these notions, in the form of conditionality, disparately disenfranchises women in developing countries. To lessen or prevent these effects from occurring, there are a number of changes that can be made.

First, since the root of the problems of developing country women stem from the philosophical foundations of the contemporary notions of development, the long-term modification of these underpinnings is one method of avoiding the continuing disenfranchisement of developing country women. Microscientific development which focuses exclusively on numerical indices should be changed to include recognition of the population of developing countries as *people*, rather than just functions of economic indices. This solution will be addressed in the first section of this Chapter.

Second, developing countries can change their own policies and procedures to diminish their use of white, Western patriarchal notions of development. In particular, the governments of these countries can take policy steps that alleviate the disenfranchising effects that both contemporary notions of development and institutions such as the IMF have on their poor populations, and specifically their poor women. This will be the focus of the second section of this Chapter. As with all solutions, these recommendations will have problems of implementation. These problems are discussed in Section Three.



Next, since the IMF's application of conditionality further reduces the quality of life of developing country women, the IMF should be modified. The IMF's policies and procedures should be altered to include recognition of both economic, numerical indices as well the survival needs of developing country populations. This solution can be implemented in the shorter term, since only one institution will be modified. However, it must be remembered that if the root of the problem, being inappropriate microscientific development, is not changed, disenfranchisement for women in developing countries will continue. Nevertheless, if the IMF was changed to include 'survival economy' considerations, the lives of women in developing countries would be somewhat improved. This solution will be described in Section Four of this Chapter.

Finally, in the longer term, improvements in women's lives, both in developing countries and in other nations would be achieved if the status of women, generally, were to improve. If women and women's contributions become defined as 'more valuable', increased focus by the microscientific development principles on the improvement of the lives of developing country women is possible. This solution will be described in Section Five of this Chapter.

The best answer to the disenfranchisement of developing country women would be a combination of each of these solutions, because of the varying time periods which will be required to make modifications in these areas. In any event, it is clear that change is necessary for the improved survival of women in developing countries. Hopefully, an

effective remedy will be found for the decreasing quality of life that developing country women face.

### **1. Re-defining Development**

The first problem that must be addressed is the question of how to change the currently inappropriate<sup>1</sup> microscientific notions of development. These notions must be replaced with a more distributively fair theory, which does not place the increasing burden of poverty on the poor. The following UN resolution gives a starting point for the changes necessary. This resolution states that the ideal goals for development include:

- (i) to effect structural change which favours national development and to activate all sectors of the population to participate in the development process;
- (ii) to aim at social equity, including the achievement of an equitable distribution of income and wealth in the nation;
- (iii) to give high priority to the development of the human potentials including vocational and technical training and the provision of employment opportunities and meeting the needs of the children<sup>2</sup>.

Growth<sup>3</sup>, as described by the UN resolution, above, would include: (1) adequate employment creation; (2) meeting the basic human needs of all segments of the population; (3) reduction in inequalities, for example, through a more equitable distribution of income and wealth; and, in general, (4) the provision of a better quality of

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<sup>1</sup>The inappropriateness of this perspective has been explained in Chapter Two.

<sup>2</sup> *UN General Assembly Resolution No. 2681 (XXV)* of December 11, 1970

<sup>3</sup>David, *supra* note 5 Chapter Three at 112.

life<sup>4</sup>. David suggests that development principles should be focused on human development, as compared to simple economic development. This, he concludes, would alleviate the problems associated with microscientific reductionism<sup>5</sup>.

In order to achieve these goals, the 'neoclassical growth model' should be replaced with a model that concentrates on the attainment of life essentials<sup>6</sup>, known as the 'basic needs model'<sup>7</sup>. However, because this model does not specifically address the needs of developing country women, an extension of this model, called the 'subsistence model'<sup>8</sup>, is more appropriate. The basic premise of this model is that development should be measured by the attainment of basic needs by poor women. The main characteristics of

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<sup>4</sup>*Ibid.* at 112.

<sup>5</sup>David, *supra* note 5 Chapter Three at 105.

<sup>6</sup>Max-Neef and his colleagues have identified nine fundamental human needs, namely subsistence (for example health, food shelter clothing), protection (care, solidarity, work etc.), affection (self-esteem, love, care, solidarity and so on); understanding (among others; study learning, analysis), participation (responsibilities, sharing of rights and duties), leisure/idleness (curiosity, imagination, work), identity (sense of belonging, differentiation, self esteem, freedom (autonomy, self-esteem, self-determination, equality), M. Max Neef et al, "Human Scale Development: An Option for the Future", *Development Dialogue*. (Santiago: CEPANUR Dag Hammarskjold Foundation, 1989, eng. ed., London: Zed Books, 1992).

<sup>7</sup>See, generally, Leiss, *supra* note 11 Chapter Two at 125-146 for a discussion of this model.

<sup>8</sup>Mies, Maria, "The Need for a New Vision: The Subsistence Perspective", in *supra* note 18 Chapter One, 297 at 297-322, Also see Kabeer *supra* note 2 Chapter Two at 80-96.

this model include<sup>9</sup> the turning away from monetary value as the prime focus of development, and a revision of white Western patriarchy to incorporate the recognition of value of those things and people which cannot be valued in the marketplace. In essence, this change would require a dismantling of the bases of microscience<sup>10</sup>:

... a new paradigm of science, technology and knowledge. Instead of the prevailing instrumentalist, reductionist science and technology - based on dualistic dichotomies which have constituted and maintain man's domination over nature, women and other people- ecologically sound, feminist, subsistence science and technology will be developed in a participatory action with the people ...<sup>11</sup>

Seager<sup>12</sup> also recognizes the necessity for a new model of development because, although in the past, civilization expected that microscience would provide the answers to all crises that arose, including the crisis of survival facing developing country women, microscience has been unable to provide such answers. She states:

Although the work of scientists and engineers is indispensable for coping with the most urgent problems, the problems themselves are invariably the result of social practices. They are quintessentially *social* problems whose roots lie deep in a long standing matrix of cultural proclivities. Hence, they are bound to remain intractable until we find ways to integrate 1) scientific analyses of their nature; 2) an adequate understanding of their social cultural or behavioural genesis 3) a plan to change the behaviour or institutional structures necessary to resolve them<sup>13</sup>.

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<sup>9</sup>*Ibid.* at 319-322.

<sup>10</sup>Macroknowledge is antithetical to microscience. Macroknowledge envisions a holistic approach to knowledge, which accepts and validates knowledge gleaned from any source. It also considers the subject of consideration as a part of its environment, rather than isolating it from its natural circumstances.

<sup>11</sup>Mies, *supra* note 8 at 319-322.

<sup>12</sup>Seager, *supra* note 51 Chapter Two at 282.

<sup>13</sup>*Ibid.* at 282-282.

Microscience has not and will not be able to solve the contemporary problems<sup>14</sup> of society. Thus, a new regime of development is necessary.

Kabeer has also reflected on the changing of development principles to function within a subsistence perspective. She identifies the subsistence perspective to be an investment in human welfare, but also notes that pure economic growth may be delayed by this model. She states:

The terms of this tradeoff can only be calculated if we have, along with the GNP indices of sustainable human welfare that monitor those 'goods' which are valued as ends in themselves rather than in terms of the prices they command. If the satisfaction of human need rather than the exercise of market rationality is taken as the criterion of production, then clearly a much more holistic view of development becomes necessary. Development is no longer measured by the volume of marketed goods and services alone, but by the extent to which human wellbeing is assured<sup>15</sup>.

Kabeer concludes that the goal of subsistence is of sufficient importance that numerical, microscientific development should be delayed. This delay will not, however, be readily accepted by the white Western patriarchy.

Nevertheless, to coincide with the subsistence perspective, the value of any person or any object would not be defined, alone, by its value in the marketplace. Notions that people and countries are only as valuable as the numerical wealth that they generate should be discarded. All endeavours contributing to subsistence should be recognized, whether

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<sup>14</sup>Including environmental problems and women's issues.

<sup>15</sup>Kabeer, *supra* note 2 Chapter Two at 84.

wage producing or not. Specifically, women's triple role of nurturer, community organizer, as well as income earner, should be recognized. In discussing this possibility, Kabeer notes that in the subsistence perspective, capitalist market mechanisms would only be one of the indicators which define value. Other indicators, such as family time contributions, levels of basic need fulfilment through subsistence production, and other factors would also be used, in order to recognize non-market contributions.<sup>16</sup> Once these indicators are utilized and accepted, the worth of women's work will increase:

Such an approach would promote both class and gender equity; women, particularly poor women would take their place as key actors in the development process because of their contribution to human survival and well-being among those who have been most disenfranchised by growth-dominated development strategies<sup>17</sup>.

In conjunction with this new valuation system, the dichotomy between work and home<sup>18</sup> should be removed<sup>19</sup>. Men's work is typically performed in the "work" marketplace, whereas a large portion of women's work is not. Therefore, if the distinction between home and work is eliminated, this integrated concept would allow for the recognition of women's 'home', or non-market roles. Once this distinction is eliminated, and the status of 'home' roles is increased, it may very well be that there will be an increase in the

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<sup>16</sup>*Ibid.*

<sup>17</sup>*Ibid.* at 84-86.

<sup>18</sup> "Home" here, represents anything other than work, including cultural pursuits.

<sup>19</sup>Mies, *supra* note 8 at 319.



proportion of men involved in these roles<sup>20</sup>. If men participate in the subsistence survival of developing country populations, the burden of increased workloads would fall less on women. Mies<sup>21</sup> recommends that both men and women be involved in subsistence. Patriarchal notions which separate women's work from men's work must be attacked and replaced with the valuation, outside the neoclassical monetarist markets, of *all* types of work. Notions of reductionist white, Western patriarchy, and in particular notions of what constitutes women's and men's work must be changed to achieve these goals.

Further, if the current notions of development were replaced with a subsistence perspective, it is conceivable that the many of the current development issues facing developing countries would resolve themselves, to a certain extent. Instead of white, Western, patriarchal notions of poverty, the value systems of developing country populations may begin to revert back to the acceptance of the adequacy of subsistence. In order for this to occur, notions of what constitutes poverty will have to be modified. In the shorter term, however, addressing specific development problems may be the only expedient method by which to gain some of the desired results.

The past cannot be changed. Actions of governments, both national and international, as

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<sup>20</sup>*Ibid.* Mies suggests that one of the reasons men will not become involved in roles other than income earning is because these other roles have no status or social recognition attached to them. She hypothesizes that increased recognition would increase the amount of men involved in these activities.

<sup>21</sup>*Ibid.*

well as actions of institutions such as the IMF, cannot be reversed. The only steps that can be taken are planning steps, which recognize the inappropriateness of the current microscientific development systems in place<sup>22</sup>. Forward-looking plans must assist developing countries to relieve themselves of the desperate economic situations that they now face. The current development problems which have contributed to the improper evolution of developing countries will now be addressed.

## 2. Re-defining Developing Country Development

One of the first problems that can be identified as a cause of developing country debt is the history of indebted industrialization<sup>23</sup>. Countries spent what precious little resources they had on the building of capital production facilities. These facilities were built with the anticipation that the output from them would be saleable in the global market, which, in turn, would hopefully ensure financial prosperity for the developing countries. But because of falling commodity prices, lack of expertise in the running of the facilities<sup>24</sup>, low demand for facility product<sup>25</sup>, and resource transfers back to parent companies, prosperity

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<sup>22</sup>Which exist, largely, because of the philosophical basis of notions of development.

<sup>23</sup>Korner, *supra* note 8 Chapter One at 36-45.

<sup>24</sup>Many of the top managers and trained workers would be imported from whence the idea of the production facility came, *ibid.* at 36-40.

<sup>25</sup>Often, in developing countries, production facilities of all varieties have excess capacity which is never utilised, *ibid.* at 36.

did not result from these facilities<sup>26</sup>. However, the resources had been spent, and the developing country had to service and pay for the debts incurred in building these production facilities. The developing countries were financially committed, whether the production facilities were profitable or not. Increasing debt loads and decreased prosperity in the economy were the general results.<sup>27</sup> These changes are obviously undesirable.

One option<sup>28</sup> that would reduce the magnitude of these effects is to modify the production facility products to produce goods which have a higher global demand. Unfortunately, this plan would take a great deal of money, in identifying the products that would potentially give rise to increased revenues, changing the production facility, and targeting

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<sup>26</sup>*Ibid.*

<sup>27</sup>Of course, an option for the developing countries is debt repudiation. Fidel Castro, in his speech "To Pay Tribute to the Empire or to Pay Tribute to the Homeland", 18 July 1985, La Havana, Editora Politica, 1985, suggested that debt repudiation would be one method of reducing developing country debt loads. Ferguson, *supra* note 15 Chapter Three at 235 also acknowledges that developing countries could threaten debt repudiation or IMF withdrawal as a group. However, as pointed out by Korner et al, "it is highly unlikely that such schemes will ever be implemented. . .not only would creditors boycott the country for the foreseeable future - overnight the offending country would have to conduct its foreign trade on a barter basis; the state export credit assurances of the industrial countries would withdraw their guarantees and few foreign exporters would then be prepared to supply on credit, fearing that in their case to the debtor country would break its contract . . . debt repudiation is therefore only an option for countries which are relatively unintegrated into the world market and can have little hope of more finance flowing into the county in the foreseeable future than is flowing out in the form of interest and principal repayments", Korner, *supra* note 8 Chapter One at 162

<sup>28</sup>Because of the limited nature of this thesis, this is the only option discussed on this point. Other options may include the sale of these facilities to multinationals, debt for nature swaps, debt buy-backs and other manners of debt reduction. See *ibid.* at 140-175 for a general descriptions of some of these alternatives.

the global purchasers with appropriate marketing plans. Further, there would be no guarantee of greater success than before the modifications. If the production facility actually did become profitable, it would have to be ensured that the profits did not simply get transferred back to large multinational parent companies, as is often currently the case<sup>29</sup>. The prevention of these profit transfers would clearly be difficult, since it is often the large multinational parent company that supplies foreign parts and expertise for these production facilities. Ties and obligations to parent companies would be onerous to reduce. This recommendation will work only if *all* the parent companies would agree, or be legislated, to take only a certain percentage of profits back, and reduce the costs of parts, expertise, loans, and other transfer items to fair market value. A central organization with the international authority and power to enforce these restrictions would be necessary<sup>30</sup>. This is a longer term solution that is unlikely to occur, unless such a central organization is put in place. This does not appear to be a possibility for the moment. All countries, although tending to cooperate today more than in the past<sup>31</sup>, would perceive such a central organization as a further infringement on their sovereignty, particularly their sovereignty over development of their natural resources and industries. Thus, unless some imminent disaster threatens the security of all nations, such a central organization is unlikely.

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<sup>29</sup>See Chapter Five.

<sup>30</sup>See discussion, page 179-183.

<sup>31</sup>Because of diminishing political barriers. See Rodiger Dornbusch, *Stabilization, Debt and Reform, Policy Analysis for Developing Countries* (New York: Harvester Wheat Sheaf, 1994) at 81-100, for a discussion of this point.

Powerful multinationals would also obviously object to this central organization, which would by definition, decrease their profits. Nevertheless, this option appears to be the only method to solve the indebted industrialization debt problems. Further, this recommendation, if implemented, would also solve the problem of the failure to diversify exports<sup>32</sup>, assuming the production that would occur as a result of this recommendation would be different from the product currently manufactured and unsuccessfully marketed. A general reduction in the increasing debt of developing countries would occur if this recommendation was implemented.

Another problem contributing to the debt crisis is the neglect of agricultural development<sup>33</sup>. Perhaps, in a clearer sense, this problem should be characterized as inappropriate agricultural development. Because the current agricultural practices rely on hybrid seeds, fertilizers and equipment, most of which comes from foreign sources, this style of agriculture takes money away from the developing country economies, and transfers it back to developed countries. In addition, this highly technical style of development causes the degradation of the environment of the developing country, as well as reducing the ability of poor women to find the food, fodder and clean water, which they require for a subsistence lifestyle. The current style of agricultural development must therefore change back into subsistence agriculture, which allowed for the continued survival of both the poor and the environment. Local seeds and agricultural inputs must

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<sup>32</sup>Korner, *supra* note 8 Chapter One at 38-42.

<sup>33</sup>Chapter Two at 15-16.

again be used, to avoid these problems. This will assist the poor women of developing countries, by making natural resources more readily available.

Another aspect of government actions that contributed to the increased debt loads of developing countries is extensive government expenditures on social programmes. Indeed, expenditures in this area must be examined to ensure that the funds are being put to the best and most appropriate use. However, cutbacks in spending in this area must be viewed with caution. When these expenditures are cut, it is usually<sup>34</sup> the lives of poor women that deteriorate as a result. Therefore, although frugality is necessary, the spending that does take place must be targeted towards programmes that actually assist the poor.

Rather than cutting social programmes<sup>35</sup>, governments should choose to cut spending in other areas, and in particular, in the area of armaments and the military. Many developing countries spend a good deal of their budgets on military expenditures<sup>36</sup>:

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<sup>34</sup>As described in Chapter Six.

<sup>35</sup>"The conditions under which governments can effectively cut subsidies are not well known and need to be further researched", David, *supra* note 5 Chapter Three at 121.

<sup>36</sup>"Expenditure on defence and internal security has increasingly become one of the most important expenditures in the recurrent government budget in developing countries. Yet stabilization programs do not pay much attention to this form of expenditure. This reflects an unfortunate bias for at least two reasons. First, and as indicated above, expenditures on subsidies and basic social services are usually subjected to critical scrutiny. They therefore become candidates for excision while the defence and security budgets are left more or less intact. Second, many would view these expenditures as



In India, a country with over one-third of its population living below the poverty line, the government spends 14 percent of its revenue on defence; in Saudi Arabia, military spending, as a percent of GNP jumped from 5 percent in 1960 to 22 percent by the late 1980s; in the Sudan, in the same period, military spending increased by a factor of four . . .<sup>37</sup>

These expenditures do not directly assist the poor<sup>38</sup>, the segments of society that seem to benefit the most from these expenditures are the companies that are making profits off armaments sales, and perhaps public officials<sup>39</sup>. This spending is justified by the "authorities" as a protection of a developing country's sovereignty. However, this justification begs the question as to who exactly is going to want to take over a country whose people are starving, and whose environment is destroyed. Priorities of spending have to be changed away from expenditures like these, and instead put towards measures designed to assist the poor who are literally perishing from the lack of fulfilment of basic needs. It is difficult to imagine that any person or group of people would prefer "one more helicopter", over saving the lives of many. This, unfortunately, is today's reality. This must be changed.

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economically unproductive and wasteful."; from Stewart, *supra* note 59 Chapter Five at 45.

<sup>37</sup>Ruth Leger Sivard, *World Military and Social Expenditures, 1991* (Washington: World Priorities Institute, 1991) at 20-45.

<sup>38</sup>See Stewart, *supra* note 59 Chapter Five at 39-44 for further statistics on increasing military expenditures.

<sup>39</sup>It must be noted that there is increased employment that arises as a result of military expenditures. However, these funds could be re-directed to other employment generating activities.

Another suggestion<sup>40</sup> that has been made is that the cause of the debt crisis can be found in increasing developing country population levels, which cause overuse of the natural resources. Procreation is one method to ensure the survival of the family unit, because increased family unit members means a greater labour force to provide for basic needs. If notions of development, and social programmes were targeted towards the achievement of a subsistence lifestyle, and women's needs in particular were addressed, it is possible<sup>41</sup> that the need for high fertility may decrease. This relationship between levels of procreation, education, social spending and levels of poverty warrant further consideration<sup>42</sup>.

Once these recommendations are instituted, it is likely that there will be a lessening of poverty for the populations of developing countries. When populations feel more secure, they will also be less inclined to have political insurgence events<sup>43</sup>, and if governments are more stable, they will be more able to make difficult expenditure decisions without repercussions, and will more likely have a commitment to any programmes that are undertaken<sup>44</sup>. Thus, the above recommendations will achieve the lessening of general

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<sup>40</sup>Korner, *supra* note 8 Chapter One at 125-129.

<sup>41</sup>Buvinic, *supra* note 13 Chapter One at 36.

<sup>42</sup>Kennedy, *supra* note 3 Chapter One at 342, provides statistics relating adult female literacy rates to total fertility rates, as well as the average number of children by mother's years of education. Generally, the more literate and more educated women are, the fewer children they have. See Tables 13 and 14 at 342 for the specific statistics.

<sup>43</sup>Santaella, *supra* note 51 Chapter Four at 445.

<sup>44</sup>According to Stewart, *supra* note 59 Chapter Five at 37.

violence and upheaval in developing countries, which will greatly contribute to the improved lifestyles of women in those countries.

### 3. Criticisms of Re-defining Development

Although the implementation of a subsistence perspective for development is desirable, there are problems with its implementation. The replacement of the current economic ideas will be difficult to achieve because of several reasons. Primarily, there are many individuals, businesses and governments, which base their operations on the white Western patriarchal values, and profit from these epistemologies. Clearly, without some significant advantage arising from this changed perspective, these entities will not readily be willing to give up the benefits that they currently enjoy. The power of those who have interests in keeping the *status quo* is significant. In today's society, those entities that have money can have their interests represented, and also have the ability to make their own opinions heard. Obviously, poor women in developing countries will not have the time or the resource available to voice their own opinions to "the authorities"<sup>45</sup>. It will be thus an almost insurmountable challenge to gain acceptance of the subsistence model from those who currently enjoy power and wealth arising from the neoclassical, microscientific model of development.

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<sup>45</sup>The authorities, being those that have the power to change development to coincide with the subsistence perspective. It may also be that these authorities, themselves, have vested interests in maintaining the status quo: Buvinic, *supra* note 13 Chapter One at 42.

Dell<sup>46</sup> has set out other problems with subsistence implementation. He identifies that there would be difficulties identifying the certain minimum levels of personal consumption and access to social services that should be adopted for the simple reason that it is difficult to determine the bundle or combination of basic needs would be 'sufficient'. For example, differences in climates result in different requirements for calories and clothing. It would be difficult to set out the relative priorities to be assigned to such items as public health, sanitation, table water supplies, public transport, housing and household equipment. There would also be problems with the channels of distribution, in that even if materials for fulfilment of basic needs were available, it would have to be ensured that the needy had access to these resources. Defining requirements would be difficult for non-food items. Even if these norms could be identified, the timing of achievement of these standards would be arduous to assess.

The adoption of the subsistence standard would also have to examine whether others should be allowed to consume excessively, as is clearly the case in the affluent West. It is questionable whether or not 'the affluent' would be willing to give up their excessive lifestyles, in order to ensure the survival of the global poor. But this reduction of excess is what must be strived for, if the lives of the poor are to be improved. The environment cannot possibly sustain the consumption of the world's populations at the levels of

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<sup>46</sup>Dell, *supra* note 19 Chapter Four at 58-60.

consumption of the affluent societies<sup>47</sup>. Compromises and reductions must be made, or the destruction of the ecosystem and its peoples will be virtually assured.<sup>48</sup>

It is apparent, then, that any changes in this perception and use of development will have to be accomplished in the long term, since the current notions are thus entrenched in the global economic system. From a practical point of view, these changes will not be made rapidly, but instead will be the result of many studies, many statistics, and the uprising of the poor and disenfranchised, and their advocates. Eventually, however, this subsistence notion of development must be adopted to ensure the necessary changes that must be made for the improvement of women's lives. Even today, it must be noted that progress on this front is being made:

There appears to be a growing recognition in international policy circles that both economic growth and poverty alleviation are better served by governed rather than untrammelled market forces. While the arguments which have roused greatest interest predictably relate to the need for 'market friendly' interventions for greater economic growth, there is also an increased interests in a 'human development', which combines labour-intensive growth strategies to generate employment opportunities the poor with public provision of key welfare resources. While this offers a more hospitable environment for a 'reversed' agenda than a neo-liberal driven one, we need to continue to argue for policies that go beyond 'market-friendly' interventions to policy approaches which are designed to equalize access

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<sup>47</sup>"Ghandi suggests that if these consumption levels were to occur world-wide, the earth would be stripped bare as if by locusts", Shiva, *supra* note 26 Chapter Two at 24.

<sup>48</sup>Due to the limited nature of this thesis, an analysis of affluent society's consumptions patterns on the ecosystem will not be undertaken here. Please see generally Leiss, *supra* note 11 Chapter Two, Bartelmus, *supra* note 92 Chapter Two, and Bill Devall & George Sessions, *Deep Ecology, Living as if Nature Mattered* (Salt Lake City: Gibbs Smith, 1985) for a discussion of this point.

to market opportunities as well as to welfare provision.<sup>49</sup>

The use of the subsistence development theory would not only lead to an improved lifestyle for women, but would also lead to a more satisfying and less superficial lives for all peoples. Subsistence lifestyles must be attempted, because, from the foregoing analysis, it is clear that the current notions of development are not equipped to handle the problems facing developing countries, their natural environments, and their women:

The growth of the market cannot solve the very crisis it creates. Further while natural resources can be converted into cash, cash cannot be converted into nature's ecological processes...in nature's economy, the currency is not money, it is life...The business groups encouraging cash cropping can opt out when the productivity of newly opened lands declines. They have no compulsion towards the ecological rehabilitation of the ravaged land. They command the resource base by making decisions that transcend their basis in legal ownership, but do not have to bear the ecological costs of the destruction of soil and water systems.<sup>50</sup>

Change must be made in the microscientific notions of development, and the government practices, ideologies and procedures that have caused development to turn from an ideology of economic growth into the development disaster that is now becoming apparent. The removal of reductionist views of development, as a long term goal, will reduce the despair facing developing country women in current society. However, in the shorter term, specific changes to the IMF will also assist in achieving the goal of a better life for developing country women.

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<sup>49</sup>Kabeer, *supra* note 2 Chapter Two at 84-85.

<sup>50</sup>Shiva, *supra* note 26 Chapter Two at 342.



#### 4. Re-defining the IMF

The next focus of change should be modifications to the IMF: its design, policies and procedures. Changing the IMF is a complex task. Nevertheless, these recommendations must be accomplished to improve the situations of developing countries, which, in turn, will improve the lives of developing country women.

One of the first changes that must be addressed is the sharing of the burden of adjustment by *all* members of the IMF, not just the developing countries. In identifying the recommendation to share adjustment, it must be remembered that balance-of-payments difficulties frequently are not the 'fault' of the borrowing developing countries. Often, poor balance-of-payment levels occur as a result of the deterioration of commodity prices for developing country exports, as well as increased costs of imports, including imports for production<sup>31</sup>. The developed countries, which typically profit from these decreased commodity costs, and increased payments for their exports to developing countries, usually absorb the extra profits or value, and do not suggest that they, themselves, should contribute their resources to those developing countries from which they glean their profits. Instead, the developed countries and their commercial bankers temporarily lend back the profits, and expect a rate of interest to be paid on those profits. This should not be allowed to continue in such a wholesale fashion.

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<sup>31</sup>There are also external economic considerations which add to balance-of-payments problems. These will not be further discussed, but see Lombardi, *supra* note 7 Chapter Two at 220-241.

Because the adjustment is demanded only from the poor, it is the drawing members who must subject themselves to the decisions made by the IMF regarding the imposition of conditionality on their countries. Developing countries cannot contribute large amounts of resources to the IMF coffers, and as a result, do not have the requisite voting power to influence IMF decisions. Terms of conditionality, therefore, may not reflect the opinions of the poor. Rather, 'affluent, influential' countries which are primarily concerned with repayments of their own resources use their voting influence to shape the policies of the IMF. As a result, the IMF uses the improvement of economic, numerical indicators as its mandate. If all countries had to share in the burden of economic difficulties, basic needs could begin to be fulfilled for the poor. It is doubtful that this would occur, however, without major changes in the philosophies of both developed country governments and the IMF. Currently, 'industrialized' governments appear to believe that aid transfers are sufficient enough contribution to the alleviation of these burdens<sup>52</sup>. Clearly, this is not the case; impoverishment in developing countries continues to thrive<sup>53</sup>.

Stewart<sup>54</sup> also recognizes that the burden of adjustment should be distributed amongst all countries. She recommends that there be an imposed *symmetry of adjustment*, whereby the current burden of policy change and adjustment be shared amongst all countries, not just the developing countries. She suggests that the surplus countries should expand their

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<sup>52</sup>Kabeer, *supra* note 2 Chapter Two at 22.

<sup>53</sup>Payer, *supra* note 107 Chapter Two at 49.

<sup>54</sup>Stewart, *supra* note 39 Chapter Five at 37.

domestic absorption, which would reduce deficits, without such extreme policy changes for developing countries<sup>55</sup>. She also recommends support for commodity prices through commodity price agreements, which would have a floor price, and be supported in supply by primary producers. These features, she anticipates, would stimulate the global economy, and cause the imbalances in exports and imports for developing countries to stabilize at an acceptable level. However, if these features were not effective, a distribution scheme that would force<sup>56</sup> more affluent countries to contribute a fair share of their monetary surpluses to the less financial fortunate countries. Clearly, in order to have such a distribution system function, the needs of developing countries would have to rise in levels of importance. This can be partially achieved by increasing the power of influence that the developing countries have in the IMF, as discussed below.

Developing country needs could be made more 'apparent' by changing the allocation of votes that the developing countries have in the IMF. There are two theoretical methods to modify the voting structures of the IMF. First, changes can be made in the quantum of basic votes given to each member. Developing countries could simply be given more votes. Alternatively, changes could be made in the criteria that are used for the allocation of quotas. Votes could be allocated for both contributions and drawings from the IMF. It

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<sup>55</sup>*Ibid.*

<sup>56</sup>It is likely that some type of agreements with provisions for enforcement would have to be used to ensure developed country compliance with this scheme, as it is unlikely that developed countries would be too enthusiastic about giving a percentage of their surplus GNP to developing countries.

is unlikely, however, that these alternatives would be acceptable to the developed, contributing countries of the IMF. As Mahbub ul Haq points out:

On the voting structure I am more pessimistic, because there is a fatal flaw in the conception of the Bretton Woods institutions. They are called international institutions, but they are not. They are really an uneasy coalition of bilateral interests. They are a shareholder's company, and if the borrowers wish to have majority control, the lenders will take their money and go away. I have not seen a single bank or a single lending institution, national or international, where the borrowers are in majority control. So the only way the voting structure can change in favour of borrowing countries is if they - the developing countries - become lenders to the institutions, because votes are in relation to the capital they subscribe.<sup>57</sup>

Since it is not likely that the developing countries will be in a position to *lend* the IMF resources, the voting structure, itself, and the ideologies of what constitutes worth, in relation to quotas must be re-evaluated, so that it is not just the developing countries that bear the burden of adjustment. Developing countries compared to industrialized nations are in much the same position as women are compared to men. Developing countries and women both have no real relative power, and are governed generally, by the will of others. Alternatively, they are left alone, with no assistance for their needs except for welfare or aid provisions, which are generally ineffective<sup>58</sup>. Therefore, an alternative to the current voting allocation could consider not only giving votes for contribution of resources, but also giving votes for the *use* of resources. This solution would require the virtual reconstitution of the IMF's Articles of Agreement, to which, doubtless, the developed

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<sup>57</sup>As quoted in Roger D. Hansen, ed., *The Global Negotiations and Beyond: Toward North-South Accommodation in the 1980s* (Austin, Texas: University of Texas, 1981) at 115-16.

<sup>58</sup>Shiva, *supra* note 11 Chapter Two at 24-32.

countries would probably not readily agree. Instead, the developing countries must, as recommended by Ferguson<sup>59</sup>, consolidate their voting power to form a common front by which to get their opinions heard. These changes will stop the microscientific 'feminine pauperization' of both women and developing countries.

However, this solution assumes that there is only one opinion that is shared by all developing countries. This is clearly not the case<sup>60</sup>. In the category of developing countries, there are many levels of poverty, as well as many different political and social philosophies which underlie the individual countries and the decisions that are made within them. The needs of women may not specifically be addressed, for example<sup>61</sup>. Therefore, finding a united front may be more difficult than it appears at first glance. However, the developing countries must be prepared to put away all but their most fundamental objections, if they hope to have any power within the ambit of the IMF.

Essential to any policy changes within the current IMF structure itself is the change of IMF economic models away from the current neoclassical monetarist model, with its insistent focus on profits and net financial gains and indicators. Many authors<sup>62</sup>

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<sup>59</sup>Ferguson, *supra* note 15 at 227.

<sup>60</sup>David, *supra* note 5 Chapter Three at 117.

<sup>61</sup>Especially considering the inherent biases against them within the microscientific method, as discussed in Chapter Two.

<sup>62</sup>David, *supra* note 5 Chapter Three at 116, Stiles, *supra* note 4 Chapter Three, at 142, K. Havenevik, "Classical Concepts of Monetarism, or How to Fail at Adjustment",

recommend that the IMF change its neoclassical monetarist assumptions to premises that recognize the interconnectedness of the world economies. This is because, as pointed out by Havnevik<sup>63</sup>, neoclassical monetarism is simply unproven and incorrect. Sachs<sup>64</sup> suggests that because the IMF uses rudimentary methods in setting performance criterion, and errors are made, these methods must be changed:

It will be crucial for the Fund to . . . explore the use of more sophisticated models that allow for multiple sectors, changing internal relative prices, lags between the installation of fixed capital and the economically effective expansion of capacity, and the presence of debt overhangs effects on key behavioural relations.<sup>65</sup>

As described in Chapter Four, current IMF programmes are not helping the financial situations of the developing countries. The monetarist assumptions made by the IMF model are not supportable by empirical data. Therefore, the use of this model must be re-evaluated.

The targets that the IMF uses for adjustment must also be changed, since they are based on these neoclassical monetarist model assumptions. Instead of specific targets, ranges of acceptability, or ceilings of expenditures could be used. For example, Sachs states that "an additional way to provide a little more flexibility would be to distinguish between

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K. Havenik, ed., *The IMF and the World Bank in Africa, Conditionality, Impact and Alternatives*, Seminar Proceedings No. 18 (Uppsala: Scandinavian Institute of African Studies, 1987) 14 at 20.

<sup>63</sup>*Ibid.* at 21.

<sup>64</sup>Sachs, *supra* note 32 Chapter Four at 116.

<sup>65</sup>*Ibid.*



*ceilings and targets* . . . (it) would be better if it were agreed that the projections would provide targets and that the sanctions associates with performance criteria would come into play only if the targets were exceeded by such a wide margin as to breach a ceiling set a specified distance from the target"<sup>66</sup>. Further with respect to targets, David states:

Any meaningful philosophy of broad-based development would seem to require a theory of development policy based on a flexible targets-instruments approach, rather than the fixed targets-instruments approach that seems to form the basis of the IMF policy paradigm. This follows in the tradition of orthodox macroeconomic policy which is based on the proposition that policy instruments should be assigned to targets of policy and that, given the relevant assumptions about information and foresight, the instruments should be assigned to the targets that they are considered to affect the most. In this context, the instruments of monetary policy have been traditionally assigned to the attainment of external equilibrium, while fiscal policy tools are used to achieve internal balance . . . IMF policy . . . is therefore based on the implicit assumption that, under normal circumstances, it is possible to trace the precise quantitative.<sup>67</sup>

As shown in Chapter Four, the current adjustment programmes and their results have been rather dismal failures. Thus, change must include targets and programmes flexible enough to account for the many country variations. As suggested by Dell<sup>68</sup>, stabilization programmes should indicate objectives and directions for the economy but should avoid standard formulas and pinpoint targetry. If targets were changed away from the current highly structured, exclusively monetarist numerical goals that are currently used, developing countries might, over time, achieve the economic growth that they so urgently require. Even if these targets were changed, adjustment and financial prosperity are not

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<sup>66</sup>*Ibid.*

<sup>67</sup>David, *supra* note 5 Chapter Four at 118.

<sup>68</sup>Dell, *supra* note 19 Chapter Four at 194.

guaranteed. Nevertheless, at least there would be a resurgence of hope and confidence that improvements in the developing country economies are possible.

Related to the modification of targets is the recommendation that the IMF is that it must tailor its packages more closely to the drawing member's needs. Many authors<sup>69</sup> have criticised the fact that IMF programmes appear to be standard in nature, with the same types of requirements applied, irrespective of the actual conditions of the individual developing countries. If IMF conditionality included heightened consideration of the unique positions of each drawing member, this would lead to "less draconian, more gradual adjustment programmes for poorer developing countries".<sup>70</sup> One can certainly identify immense differences between individual countries such as culture, environment, education of the people, poverty levels, water availability, transportation infrastructure, and infinitely other variables. A common application of conditionality requirements is not the appropriate answer for all drawing members. However, according to the actual documents that have been available from various sources<sup>71</sup>, this standardized application is generally what has occurred. Clearly, this type of 'one-solution' answer to diverse problems is not the most efficient or effective manner in which to ensure financial stability of developing countries. Different situations require different actions.

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<sup>69</sup>As described in Chapter Four and Five.

<sup>70</sup>Killick, *supra* note 62 Chapter Three at 284-298.

<sup>71</sup>Again, the IMF does not typically let the outside world see its documents, and has an immunity from such disclosure.

Unfortunately, it is difficult to determine exactly what policies and requirements the IMF considers, since the IMF has immunity from disclosure for absolutely *all* inquiries<sup>72</sup>. This must be changed. The IMF effectively holds a country's economic destiny in its hands, and yet, these countries are not allowed to ascertain the exact policies, procedures and requirements of the IMF. To alleviate this problem, all documents, except the most highly confidential, must be released to the public.

Timing, itself, is another change that must be made in the application of conditionality programmes. Currently, there are no programmes in the IMF which allow for adjustment over a longer time frame. Stewart recommends "more gradual timing of adjustment"<sup>73</sup>, as does Cooper. He states:

The IMF in effect should make a deal with the country in question: we will lend you funds if you undertake a program to restore payments balance in say 24 months. Rather than having to eliminate the imbalance "cold turkey", we will permit a more relaxed framework within which you can pursue your other objectives, provided you do not lose sight of the agreed aim of restoring balance in your international payments. If you ask, we might offer some side advice on your objectives, but that is not our prime concern. Furthermore, although we can work constructively with the minister of finance, we do not fully trust his cabinet colleagues, so together we will work out some criteria that will serve as markers to see whether you are making progress toward eliminating the imbalance. These, of course, must be written down, and they will look very specific and rigid, but they are really part of a process, the basis for a dialogue at quarterly intervals to see how the program for your country is proceeding. That is the deal between the IMF and the country.<sup>74</sup>

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<sup>72</sup>Budhoo, *supra* note 44 Chapter Four at 84-87.

<sup>73</sup>Stewart, *supra* note 59 Chapter Five at 41.

<sup>74</sup>Richard N. Cooper, as found in Sachs, *supra* note 32 at 117.

If a longer time frame for adjustment was allowed, drastic cuts in employment, social programmes, food subsidies and other poverty alleviating programmes could take place in a manner that would not immediately jettison the burden of conditionality on the poor. Their lives would not be changed so rapidly and in such a significant negative fashion.

Another solution to alleviate short-term funding concerns for developing countries is the establishment of a low conditionality, easily accessible resource<sup>75</sup> fund, to address the needs of drawing members facing balance-of-payments difficulties<sup>76</sup>. The IMF does, technically, have such resources available, in the Compensatory Financing Facility, (CFF). The CFF provided that a compensatory drawing would be made available where: a) a shortfall in export receipts was of a short-term character and largely caused by circumstances beyond the member's control, and b) the member was willing to cooperate with the Fund in an effort to find appropriate solutions for its balance-of-payments difficulties, where such solutions were needed.

Resources provided by the CFF were to be in addition to those available from the credit tranches. Although the CFF helped shield weaker members from international market

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<sup>75</sup>Easily accessible does not mean without any conditionality. If, in fact, requesting governments have shown no fiscal responsibility, more difficult access to these funds would probably be warranted. However, especially in cases where the fiscal imbalance is beyond the requesting member's control, low conditionality funds should be available.

<sup>76</sup>This recommendation was put forward by Dell, *supra* note 19 Chapter Four at 255-273.

fluctuations, after September 1983, the CFF was no longer widely used<sup>77</sup>, due to lack of financial support from the developed countries<sup>78</sup>, and the inability of developing countries to meet the terms of acceptance into the programmes<sup>79</sup>. The effective removal of this low conditionality financing made financing availability without intrusion on domestic policies even more difficult to achieve. The lack of availability of low conditionality resources must be changed. In recognizing this need, Dell states:

The conditions required for drawings on the regular facilities of the Fund have become too demanding in relation to the amount of resources made available, and countries are now reluctant to approach the Fund except in the most extreme circumstances. Both for this reason, and on the merits of the case, an easing of conditions seem justified<sup>80</sup>.

The reinstatement of the original form of the CFF, or a similar financing facility, is a short term solution to the financing problems of some developing countries<sup>81</sup>.

Related to low conditionality financing is the suggestion that quotas<sup>82</sup>, which are the amount of drawings that are available to a needy member, should be increased<sup>83</sup>. In particular, quotas need to be large enough to enable the IMF to fulfill its traditional role as

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<sup>77</sup>*Ibid.* at 261.

<sup>78</sup>*Ibid.* at 250-56.

<sup>79</sup>Notably, if balance-of-payments difficulties are not short-term in nature, CFF funding will not be possible: Dam, *supra* note 1 Chapter One at 214.

<sup>80</sup>Dell, *supra* note 19, Chapter Four at 194.

<sup>81</sup>*Ibid.* at 255-263.

<sup>82</sup>As described in Chapter Three.

<sup>83</sup>Quotas are described in Chapter Three at 44-46.

the major source of temporary balance of payments finance to those countries that have not achieved significant access to the international capital market, preferably by the extension of low-conditionality financing where balance-of-payments problems arise because of external factors<sup>84</sup>. If the IMF does not make resources fairly readily available to lend to its drawing members, the conditions of the poor will worsen. Quotas, coupled with low conditionality facilities, such as the CFF, will protect the social programmes which, if cut, will cause a significant deterioration of the quality of life of the poor. Since women are the most affected by expenditure cuts, as was shown in Chapter Six, these changes could provide them with a better lifestyle.

The poor should also be protected by other measures in IMF policies and procedures. According to Stewart, the IMF should structure its policies to protect basic needs. She recommends<sup>85</sup> that the IMF policies should concern themselves with restructuring social sector spending, in a balance which will facilitate both subsistence survival and economic growth. In doing so, some type of compensatory policies should be used to protect basic needs, including health and nutrition, particularly for women, who, as shown in Chapter Six, who are typically the most disenfranchised in these areas<sup>86</sup>. After implementation of such ideas, the results of these changes should be monitored, both to include economic

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<sup>84</sup>See Ferguson, *supra* note 15 Chapter Three at 225-230 and David, *supra* note 5 Chapter Three at 114-120.

<sup>85</sup>Stewart, *supra* note 59 Chapter Five at 42.

<sup>86</sup>*Ibid.*



growth, as well as subsistence survival rates<sup>87</sup>.

Cornia<sup>88</sup> et al. also suggest the distributional inequities necessitated with the use of microscientific development principles also be adjusted. These authors suggest that more expansive policies, with sustainable levels of output, investment and fulfilment of human needs be utilized, in a more gradual period of adjustment. In addition, the authors recognize that specific policies must be instituted for the poor, including modified policies of taxation, government expenditure, aid, credit, foreign exchange and asset distribution. These policies will achieve the "prioritizing, selectivity, redistribution and restructuring"<sup>89</sup> which are necessary for the subsistence survival of the poor. Cornia et al. term this type of adjustment "adjustment with a human face"<sup>90</sup>.

Surely it makes sense to protect human resources and lives, in addition to the consideration of the financial bottom line. Unfortunately, because of the underlying notions of development that are widely accepted, this is not the logic of the day. As described previously, value in the white Western patriarchal society is always seen in terms of value in currency, rather than intrinsic value. However, the powerful entities of all

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<sup>87</sup>Killick et al also recommend that the IMF review its policies to take into account their distributional impact on the poor, Killick, *supra* note 62 Chapter Three at 284-298.

<sup>88</sup>G. Cornia, R. Jolly & F. Stewart, "An Overview of An Alternative Approach", in Cornia, *supra* note 93 Chapter Four 131 at 131-135.

<sup>89</sup>*Ibid.* at 134.

<sup>90</sup>*Ibid.* at 134-135.

nations must realize that if enough people die, there will be no one to support their economic systems, no one to work in their factories, no one to buy their products, and no one to vote for them. This reality does not seem to have changed their collective behaviours, however. Further, those with vested interests in the *status quo* are not likely to easily give up their benefits.

Another recommendation involves limiting the IMF's unchecked economic power and influence. Budhoo<sup>91</sup> has some suggestions for reform of this aspect of the IMF. He identifies that there have to be *internal* checks and balances on the IMF. He recommends that a fully independent IMF council of broad decision making powers and wider geographic representation be instituted. Second, he recommends *external* checks and balances on the IMF. He recommends the establishment of an advisory and review commission to evaluate IMF and World Bank activities. This commission would act as a final court of appeal on three subjects: IMF or World Bank disputes, charges by members of institutional bias or inconsistencies, and issues of non-compliance of members brought to it by the IMF. This committee would also review major policy decisions of the IMF and World Bank. It would be comprised from a wide range of professional disciplines, with a majority of members from developing countries. In addition, there should be regional coordinating committees to examine national economic performance from the perspective of the drawing country's own system of priorities of development. It would review any subjective value judgements underlying the incidents of conditionality, and

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<sup>91</sup>Budhoo, *supra* note 44 Chapter Four at 84-87.

would have grievance procedures for problems. The members would be elected by IMF and World Bank Governors.

Further, a watch-dog committee must be established by the developing countries to oversee the activities of the IMF. All IMF activities and policies must be monitored, particularly in terms of the effects of its policies and procedures on the poor. Hopefully, the implementation of these monitoring bodies would ensure more equity amongst IMF members.

A final recommendation for IMF change consists of measures to ensure its cooperation with the World Bank, the commercial banks, and other national and international entities. Stewart<sup>92</sup> recommends that developing country governments should be given alternative, combined methods of adjustment by the IMF and the World Bank, together, as well as technical assistance, collective discussions among recipient governments, and the establishment of independent commissions to develop adjustment programmes.

This cooperation with other international organizations is provided for in Article X of the Fund's Articles of Agreement, and in Article V, Section 8(a) of the World Bank Articles. In 1966, the World Bank and the IMF defined their areas of competence<sup>93</sup> to be medium

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<sup>92</sup>Stewart, *supra* note 39, at 43.

<sup>93</sup>Margaret de Vries has described the interaction of the IMF and the World Bank in the past to be poor in the past, due to differences of opinions of the World Bank and IMF economists. The IMF is concerned with strong internal financial stability and

to long-term development programmes, for the World Bank, and exchange rates and adjustment for temporary balance-of-payments disequilibrium for the IMF.<sup>94</sup> Neither is precluded from cooperating on the other's mandate, however<sup>95</sup>.

If the World Bank and the IMF were to cooperate, it is likely that a more comprehensive package of subsistence development could be devised. In this new subsistence cooperation, according to Brainard and Shelto-Colby<sup>96</sup>, commercial banks would agree to maintain and increase financing, the World Bank would coordinate medium term growth and the IMF would provide input on balance-of-payments and exchange policies. The drawing countries themselves would have to agree to maintain open markets with increased export credits and direct bilateral aid, and provide financing and rescheduling of previous debts. Developing countries would also have to agree to structural changes for their medium term financial commitments. This recommendation would ensure economic coordination between these bodies which would lead to better and more efficient distribution and use of resources for the purpose of subsistence development.

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external payments positions in the short term, whereas the World Bank is concerned with long term economic growth via investment and productive capacity increases. Thus, the two conflicting positions are at odds: Margaret De Vries, *The International Monetary Fund, 1966-1971*, vol 1. (Washington, D.C.: International Monetary Fund, 1976, at 955.

<sup>94</sup>Joseph Gold, "The Relationship Between the IMF and the World Bank", (1981-82) 15(1) *Creighton Law Review*, 510 at 513-514.

<sup>95</sup>*Ibid.*

<sup>96</sup>Lawrence J. Brainard and Sally Shelto-Colby, "Prospects for Cooperation between Commercial Banks and Multilateral Financial Institutions: The Future of the Baker Plan", in Myers, *supra* note 46 Chapter Five, 151 at 166-167.

It has also been suggested<sup>97</sup> that the establishment of a World Central Bank would solve many problems that exist in the IMF, in the long term:

One possible solution to the problems of international cooperation would be to develop *supranational institutions*. But the evolution of cooperation among banking supervisors has not yet reached the supranational plane, even in the European Community; surprisingly, even the European Central Bank has been given only limited regulatory powers by its framers. Supranational cooperation would require that supervisors hand over their responsibilities to a global agency, which makes some intuitive sense in a world of global finance. Given that states still wish to maintain some control over their domestic financial firms in order to pursue national interest, however, supranational solutions lose their attraction.<sup>98</sup>

The problem with the implementation of such an institution is the required level of political unity that would be necessary to initiate it. This is because, as developing countries and other nations are reluctant to give up their sovereignty to institutions such as the IMF, they may be even more reticent about this total surrender<sup>99</sup>.

At the present time, it is unlikely that all countries will be prepared to give up their sovereignty for this alternative<sup>100</sup>. Perhaps a less intrusive alternative, such as the strengthening of IMF ties with the World Bank, the World Trade Organization and GATT would be more feasible:

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<sup>97</sup>Dell, *supra* note 19 Chapter Four at 93-94.

<sup>98</sup>Ethan B. Kapstein, *Governing the Global Economy, International Finance and the State*, (Cambridge, Massachusetts: Harvard University Press, 1994) at 14.

<sup>99</sup>Dell, *supra* note 19 Chapter Four at 94.

<sup>100</sup>For a description of the possibilities of a world economic and political institution, please see Hal Linsey, *The Coming New World Order* (Ventura: Regal Books: 1993) at 35-76.

The Fund's ties with the GATT should be strengthened as should its activities to help assure that the rising tide of protectionism does not lead to intensification of trade restrictions by industrial countries . . . otherwise the world can slip back to widespread use of restrictions on international trade and inevitably to widespread bilateralism . . . In addition, the Fund may find it increasingly necessary to play an active role in cases of pure protectionism, i.e. protection of domestic industry and employment not related to balance-of-payments reasons.<sup>101</sup>

The goals of subsistence development could be reached, to a certain extent, with the strengthening of these interactions. A World Central Bank, however, would be much more effective at coordinating political, social and economic forces to lead to a holistic approach to development. As a future possibility, this option does have some appeal<sup>102</sup>.

These suggestions and recommendations can be used, in part or in whole, to allow for less deterioration in the financial position of developing countries. This, in turn, may alleviate the disenfranchisement of the poor, and in particular, poor women. However, there is a strong probability that women's disparate poverty will not be completely resolved by the modifications of merely one institution. Therefore, the problems facing women in developing countries must be specifically addressed with separate solutions.

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<sup>101</sup>Irving S. Friedman, "The International Monetary Fund: A Founder's Evaluation", in Myers, *supra* note 93, 14 at 27.

<sup>102</sup>There are other options to assist the developing countries in their search for financial stability, including increased aid, changed development bank policies and practices, commercial bank modifications, and so on. Lombardi, *supra* note 7 Chapter Two at 183-185. These, however, are not specific to this thesis and therefore, will not be further discussed here.



## 5. Re-defining Women's Lives in Developing Countries

Developing country women's issues may be alleviated or lessened in a variety of ways<sup>103</sup>. However, because in the past it had been assumed that benefits would "trickle down" to women, which has proved largely to be not the case<sup>104</sup>, women's issues must be specifically addressed. As such, particular recommendations must be made to alleviate the disenfranchisement of developing country women.

First, the underlying microscientific biases against women must be dispelled. Scholarship, academic writings, increased political voice and other measures may be used to increase the awareness of governments and institutions regarding the status of women. Further, governments should introduce "gender training"<sup>105</sup>, for both themselves and the development institutions with which they interact. This training would educate the men *and* women about the existence of bias against women, identify where the bias occurs, and give a strategy to alleviate these problems. Gender training would also have to include numerical data regarding the status of women, as household heads, and specifically provide reliable statistics showing the numbers of households headed by women, their average incomes, their average expenditures for basic needs, and the shortfalls in income that they have. Hopefully, once the problem of bias is recognized, more action can be

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<sup>103</sup>*Ibid.*

<sup>104</sup>Kabeer, *supra* note 2 Chapter Two at 118.

<sup>105</sup>As recommended by Kabeer, *ibid.* at 239 and 264.

taken to lessen it.

A number of other steps may also be taken to address the disenfranchisement of women in developing countries. First, women must become more aware of the fact that they may not be able to have the support of a primary male breadwinner. Once women understand this situation fully, they may demand a stronger voice in protest against the biases that they face. Women are the only ones who will protect their own needs, therefore, they must take the steps necessary to make their opinions heard.

Women must also realize that they will likely have to find employment at some stage. Therefore, if they can become educated, better employment opportunities would, to some extent<sup>106</sup> present themselves. Women must also remember, that, when raising their daughters, these daughters may similarly be household heads at some points in their lives. They will have to support themselves, and possibly their children. Therefore, women should strive for the education of themselves and their daughters. This education would ensure that women are not as locked into low-paying, menial jobs, as they were in the past<sup>107</sup>.

This is not to say that pre-existing gender biases will disappear because of women's

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<sup>106</sup>Cultural biases would not be alleviated by education. Gender training, as mentioned above, would be an effective method of reducing these biases.

<sup>107</sup>As discussed in Chapter Six.

education. However, at least the developing country women will have a voice that is recognized by the institutions that hold them captive in poverty. Even if education for *all* females in the community is not possible, the resources of the community could be pooled for the education of some of the more talented women, with a requirement that these women come back to that community to assist other females in the community in achieving the fulfilment of their basic needs.

Further changes in education could also be made: increase the share of females in primary education, change times of school year to account for employment<sup>108</sup> and obtain resources for education of women from abroad.<sup>109</sup> Obviously, this type of organization must occur at a grass-roots level, and women must rise up to help themselves. If women wait for the white, Western patriarchy to improve their lives, the wait may be long, indeed<sup>110</sup>.

With respect to employment, improvements for women could be achieved using several methods. First, legislation mandating minimum wages and types of working conditions should be either put into place or strengthened, with high penalties payable by those who disregard these regulations. This recommendation would hopefully prevent the below-minimum-wage, dangerous working condition employment that many developing country

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<sup>108</sup>Which would allow both women and girls to complete educations, yet be able to produce badly needed income.

<sup>109</sup>Richard Jolly, "Education", in Cornia, *supra* note 93 Chapter Four 232 at 238-239.

<sup>110</sup>Daly, *supra* note 39 Chapter Two at 26.

women are forced to endure. Of course, the disadvantage of this recommendation is that employers could simply refuse either to open businesses in the developing countries with stringent legislation, or substitute adult labour with child labour<sup>111</sup>. However, if this recommendation is implemented on an international scale, there would be no alternative but to comply with the legislation. Only the strongest of central legislative authorities would be able to enforce such requirements. This authority does not currently exist. However, in the context of already available institutions, unions, or some alternative form of labour organization could provide the collective strength for poor women, to demand better conditions of work. However, such processes are resource and time consuming, both of which are scarce commodities for the poor. In addition, organization of workers is likely to be strenuously opposed by employers, and may be accompanied by threats of automation<sup>112</sup>, layoffs, or worse<sup>113</sup>. Therefore, this recommendation will face many obstacles to its implementation. Nevertheless, changes in the employment status of women must occur.

Second, some type of child care system, whether it be government or community based would allow women more time to pursue whatever employment they are able to find.

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<sup>111</sup>This is already common practice, according to F. Stewart, "Supporting Productive Employment Among Vulnerable Groups", in *supra* note 93 Chapter Four 197 at 214.

<sup>112</sup>See Kennedy, *supra* note 3 Chapter One at 88.

<sup>113</sup>It is reasonable to assume that violence may result in the attempts at organization, see generally, *ibid.* at 47-65.

Community based child care is already available in some communities<sup>114</sup>, and should be extended to include increased geographic regions. Again, this organization must come from within communities, and women must be the ones to implement such plans. This change would clearly decrease the onerous time requirements that women have in the raising of children.

Third, women should be paid for their work in cash if they cannot either open bank accounts or sign their own names on employers cheques<sup>115</sup>. Often men maintain absolute control of family resources, if women do not get paid in cash. Jolly<sup>116</sup> cites examples of institutions which can help the poor, such as the Grameen Bank in Bangladesh. This bank had simple operations, and went from community to community in order to allow the poor women to have bank accounts. This greatly increased women's accessibility to money. There are other groups, such as the self-employed women's association in India, or the Banco Popular, in Costa Rica, which also have easier access to money for poor women<sup>117</sup> as their goal. Women should be allowed to control the monies arising from their employment, since this leads to greater survival rates for members of the family unit. In fact, if women were to receive not only their own incomes, but also the incomes of their male counterparts, the fulfilment of all the members of the family unit's basic needs would

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<sup>114</sup>Buvinic, *supra* note 13 Chapter One at 32.

<sup>115</sup>Stewart, *supra* note 109 at 217.

<sup>116</sup>*Ibid.* at 216-221.

<sup>117</sup>*Ibid.* at 214-216.

be more likely, since males tend to spend their incomes on luxury items<sup>118</sup>. However, given the propensity for violence against women in developing countries<sup>119</sup>, it is questionable whether women would be allowed to keep the proceeds of their work.

Nevertheless, if the increase in women's control over income would materialize, this would lead to other improvements in the lives of women. Women would possibly become entitled to more food<sup>120</sup>, since they would have increased economic status in the family<sup>121</sup>. Further, the health of the family would probably improve, because there would be more money available for this basic needs fulfilment. The lives of the female members of the family unit would generally tend to improve<sup>122</sup>.

Fourth, there also should be some requirement that men take part of the responsibility for the children that they produce. Legislation, although it would be difficult to enforce<sup>123</sup>,

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<sup>118</sup>See Maria Mies, "Women Have No Fatherland", *supra* note 18 Chapter One 116 at 117-118 for a discussion of this point.

<sup>119</sup>Chapter Six, at 136-138.

<sup>120</sup>As described in Chapter Six, this food availability is a problem for women in developing countries.

<sup>121</sup>According to Buvinic, *supra* note 13 Chapter One at 124.

<sup>122</sup>Jolly, *supra* note 107 at 224.

<sup>123</sup>Considering the numbers of people in developing countries who tend to migrate, Buvinic, *supra* note 13 Chapter One at 25.



setting out the male responsibilities to women and children should be implemented<sup>124</sup>.

Child support and family unit support should be required as a percentage of the male's income. In addition, peer pressure and family unit expectations could also make men take responsibilities for the members of their community. Bould comments on the need for male responsibility and states:

Unless men and women are integrated into families where joint economic responsibilities are carried out, integration into the national economies will still leave many women with the primary economic burden of children. The success of the women-in-development approach depends on the success of the growth with equity approach and both jointly depend on an effective family policy which binds men together with women in their responsibilities for children.<sup>125</sup>

Just because women are biologically tied to their children, does not mean that they alone should have the responsibility for their nurturance. However, this seems to be the case, as there is a lack of positive action to thus assist women with children.

Fifth, the lives of members of the family unit, including women, would also be greatly improved by changes to the land use systems and land distribution systems of developing countries. Women's lives deteriorate significantly when they no longer have access to land, which provides the shortfall in basic necessities that they face. The lands provide food, fodder, water, and other needs, and as the common lands disappear, women must

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<sup>124</sup>This recommendation has not been successful even in developed countries, as there are often males who prefer to go bankrupt, or otherwise hide their incomes, in order not to pay support. In order for this scheme to be successful, the punishment for non-compliance must be both socially and economically severe, Kabeer, *supra* note 2 Chapter Two at 231.

<sup>125</sup>Bould, *supra* note 1 Chapter Six at 67.

spend more time looking for these basics<sup>126</sup>. Although it would be difficult to achieve a redistribution of these lands, once the notions of microscientific development are changed to consider subsistence as an acceptable alternative, it is possible that land use patterns can also be changed<sup>127</sup>. If agricultural emphasis is placed on subsistence, rather than production for export, women in developing countries would have fewer demands on their time. This change would give the women more time<sup>128</sup> to consider education, business, or any number of other alternatives. Alternatively, it would allow them the luxury of not being constantly pressured to search for resources to fulfill their basic needs. Increased natural resource availability through land use changes would thus improve the living conditions of developing country women.

Finally, Cornia<sup>129</sup> also suggests the improvement of promotion and support of self-help practices at the household levels, including health<sup>130</sup>, food provision and child care.

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<sup>126</sup>Not only women must spend more time, but also young females must help their mothers in their basic need gathering tasks. As pointed out by Buvinic, it is the girls who are forced to take more responsibilities when either the mother has to work, or has to spend more time in subsistence provision, Buvinic, *supra* note 13 Chapter One at 33.

<sup>127</sup>Land use changes have been described by Shiva, *supra* note 95 at 186-195.

<sup>128</sup>The increased requirements of women's time are discussed in Chapter Six, at 124-125.

<sup>129</sup>G. Cornia, "Social Policymaking: Restructuring, Targeting Efficiency", in *supra* note 93 Chapter Four 165 at 174-180.

<sup>130</sup>Women must receive more access and more incentive to attend to their own and their daughters health, since, as shown in Chapter Six, the health of females is worse than the health of males in developing countries.

Nutritional programmes could include food-for-work programmes, subsidized employment programmes, programmes to expand at-home production, increasing production on small farms, food stamp programmes, social and poverty relief programmes, unemployment compensation, on-site feeding, take-home food schemes, and nutritional rehabilitation centres.<sup>131</sup> Work cooperatives, whereby women work as a collective group to produce a certain result, are another alternative<sup>132</sup>.

Other types of social programmes currently available must also change to be specifically targeted towards women. These social programmes would consist of welfare-type programmes, as well as self-help programmes. Welfare-type programmes, although somewhat helpful in the short term, for certain recipients, tend to degrade women to the status of "takers from the economy", since they are not 'producing', in the 'capitalist' sense of the word. However, because of gender bias, as described previously, access to self-help programmes are limited for women. Women, themselves, must set up community self-help programmes<sup>133</sup>, which enable them to pool their resources and

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<sup>131</sup>Jolly, *supra* note 107 at 244-245.

<sup>132</sup>Cornia, *supra* note 126 at 174-189.

<sup>133</sup>The Grameen Bank in India, for example, teaches women how to sign their names, open bank accounts, and be responsible for their own finances. Another example of the ability of women to organize themselves for the benefit of all can be found in Housing book. In this example, women pooled their resources to purchase a van, in order to buy supplies in bulk, which, of course, was less expensive than individual purchases. This sort of initiative is exactly the type of self-help programmes that women must develop for themselves, in order to rid themselves of the yoke that patriarchal capitalism has imposed upon them, see Kabeer, *supra* note 1 Chapter Two at 298-303.

energies for the achievement of the common goal of basic needs fulfilment. In addition, through scholarship and legislative articulations of women's rights, development agencies may eventually recognize their own biases against women. This could lead to enlarged access of women to self-help programmes and therefore lessen their poverty.

It must always be remembered that one of the most crucial element in changing the lives of developing country women will be the removal of the microscientific gender biases that underlie the disparate pauperization of women. These biases characterize women as 'dependant' and undervalue the non-market work that she produces. Once recognition of the inappropriateness of these characterizations is achieved, the attainment of the other noted changes will be facilitated. As such, it must be realized that there are a number of external factors<sup>134</sup> which will hinder the realization of these recommendations. If this is the case, other women, who are in a more fortunate educational and economic position must voice the opinions of disenfranchised developing country women. If the message is repetitive and persistent, it is possible that these institutions and governments could change their policies to allow for the 'positive' discrimination that is required for the promotion of the needs of developing country women. It is the duty of female scholars and women of influence to pursue this goal of bettering the lives of women in developing countries.

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<sup>134</sup>Such as lack of resources, lack of receptiveness of governments, difficulties in organizing and presenting a consensus decision amongst women, and others.

## 6. Conclusion

Women still occupy a marginal place in microscientific development thought and policy.

This must be changed. One must consider the words of the UN's *World Survey on the Role of Women in Development*<sup>135</sup>, which summarizes the contemporary status of women:

While some women have improved their position, far more have become poor. Ironically, poverty among women has increased, even within the richest countries, resulting in a 'feminization of poverty'. Poverty particularly afflicted families in which women are the sole income earners, a growing phenomenon . . . increases in maternal and infant mortality in some developing countries have been observed for the first time in decades as social services have been cut as part of adjustment packages... Women have been at the epicentre of the crisis and have borne the brunt of the adjustment efforts. They have been the most affected by the deteriorating balance between incomes and prices, by the cuts in social services, and by the rising morbidity and child deaths. It is women who have had to find the means for families to survive. To achieve this they have had to work longer and harder<sup>136</sup>.

The nations of the world can attempt to achieve the goals of subsistence survival as set out by Mies, and avoid the discrimination apparent in the disparate pauperization of women by increasing our awareness and actions relating to these biases:

1. Rejection and abolition of the principles of colonizing dualistic division (between men and women, different peoples and classes, man and nature, spirit and matter) based on exploitation for the sake of ever-expanding commodity production and capital accumulation.
2. This implies the creation of non-exploitative, non-hierarchical, reciprocal relationships between parts of our body; people and nature; women and men; different sections and classes of one society; different peoples.
3. A necessary consequence of non-exploitative relations with ourselves, nature

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<sup>135</sup>United Nations, *World Survey on the Role of Women in Development* (New York: United Nations, 1989b) at 5.

<sup>136</sup>*Ibid.*

other human beings and other peoples or nations will be the regaining of autonomy over our bodies and our lives. This autonomy means, first and foremost, that we cannot be blackmailed or forced to do things which are against human dignity in exchange for the means of our subsistence or our life. Autonomy in this sense should not be understood individualistically and idealistically - as it often is by feminists - because no single woman in our atomized society is able to preserve her autonomy. Indeed, it is the antithesis of autonomy if it is understood in this narrow egoistic sense. Because the enslavement of the consumers under capitalist conditions of generalized commodity production is brought about precisely by the illusion that each individual can buy her or his independence from other human beings and social relations by the purchase of commodities.

4. A rejection of the idea of infinite progress and acceptance of the idea that our human universe is finite, our body is finite, the earth is finite.

5. The aim of all work and human endeavour is not a never-ending expansion of wealth and commodities but human happiness (as the early socialists had seen it) or the production of life itself.<sup>137</sup>

Mies recommends a macroknowledge approach to assisting the lives of women, which is not focussed on numerical indices as the sole symbolization of life and value. This work has identified specific ways in which these goals can be achieved.

In this treatise, it was shown that development is based on microscientific theories and philosophies originating from the "Age of Reason", which were biased against women. Next, it was demonstrated that these philosophies form the reductionist basis for the scientific method, which, in turn, forms the foundation of contemporary microscientific notions of development. Criticisms were made of the historical philosophies, scientific method, and notions of development.

The IMF was used as an example of a contemporary institution applying these

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<sup>137</sup>Mies, *supra* note 20 Chapter 5 at 211-212.



microscientific development principles. Empirical evidence showed that improvements in even the numerical indices used for measuring microscientific development were not likely to occur, as a result of this application. Further, it was shown that social and political disturbances were likely to result. It was also demonstrated that these applications disproportionately affect women in developing countries. Their lifestyles deteriorate as a result of IMF programmes.

Short to medium term changes were recommended, and involved changing the IMF, specifically. It was recommended that a symmetry of adjustment, which would include macroknowledge principles, be instituted. In order to achieve this goal, specific details of the structure and policies of the IMF would require modification. These modifications would alleviate some of the IMF-specific poverty that developing country women disproportionately face.

It was also recommended that the IMF be changed in the short to medium term. It was recommended that a symmetry of adjustment, which would include macroknowledge principles be instituted. In order to achieve this goal, specific details of the structure and policies of the IMF would require modification. These modifications would alleviate some of the IMF-specific disparate poverty that women face.

Finally, as a medium to long term goal, it was recommended that the general contemporary status of women be improved. The underlying biases against women can be

removed through gender training of both society, and women, themselves. This would lead to the re-evaluation of women's work in society, and would directly reduce the negative effects of microscientific development on women.

Although neither women nor men should be subjected to the microscientific development paradigms currently in place, it is the developing country women that are disparately affected by these epistemologies. At a minimum, these women should be guaranteed equality to men. Further, because women have, in the past, been disparately pauperized by these notions, strong positive action to assist them should be taken. If such action is not pursued, developing country women will continue to be the "puppies" of the "litter" that are selected to be "drowned"<sup>138</sup>. Change is imperative.

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<sup>138</sup>Buvinic, *supra* note 19 Chapter One.

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## APPENDIX

### GLOSSARY

#### DEFINITIONS OF ECONOMICS TERMS COMMONLY USED<sup>1</sup>

- Balance of Payments:** A country's balance of payments measures its total international trade in goods, services and money. It is a "balance" because each country's transfer of goods and services is balanced by an equal transfer of money in the opposite direction.
- Classical Economics:** The basic idea of classical economics is that an economy will always move toward an equilibrium. This idea was formulated in the eighteenth and nineteenth centuries by Adam Smith, David Ricardo and John Stuart Mill. It was thought that when too many people are looking for jobs, wages would go down until everyone becomes employed. The problem, pointed out by John Maynard Keynes in the twentieth century, is that wages rarely go down. If that is the case, classical economists may just have to "assume" full employment.
- Current Account:** A country's current account measures its international trade during a given period of time. The current account measures "visible" trade, such as imports, and "invisible trade, which includes services and other payments. . . earned from investment abroad. . . (it) also includes private transfers, such as money sent home by someone working abroad, and official transfers, such as payments to international organizations and interest payments on a country's foreign debt.
- Debt Ratio:** . . . comparing how much ( an entity) owes to how much it owns. . . The basic idea for all of the different debt ratios is the same; if the ratio is high the company (country) may have borrowed too much and will have trouble paying the interest when it comes due. A company can improve its debt ratios by paying back loans, or increasing its equity . . .

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<sup>1</sup>Adapted from Epping, *supra* note 37 Chapter Four at 115 - 153.

**Deficit:** . . . a deficit allows a government or a country to spend what it does not earn. In international economics, there are two major deficits, budget deficits and trade deficits. A government budget deficit occurs when tax revenues are not enough to pay for government spending. To cover a budget deficit, a government usually prints bonds and sells them to the public to make up the difference. A trade deficit is based on the same principle: a country runs a trade deficit when spending on imports exceeds income from exports.

**Fiscal Policy:** Fiscal policy refers to a government's use of taxing and spending powers to influence the economy. A government can give the economy a boost by increasing spending, for example hereby creating jobs and increasing production.

**GDP, GNP:** The gross domestic product and gross national product measure the total amount of activity in a country's economy. The GDP measures all of a country's domestic production of goods and services. The GNP is a wider measure that includes a country's activities abroad such as exports and imports and income from foreign operations. Neither the GDP nor the GNP tell the whole story however, because an economy has many unreported activities such as voluntary work, unpaid housework, environmental destruction, and illegal drug trade. Although the GDP and GNP provide only an estimate of the size of an economy, they are the most accurate measures available.

**Import substitution:** Import substitution is a government policy that forces consumers to replace imports with locally produced goods and services . . . the problem is that most countries cannot produce efficiently without the help of imported computers, or tractors, and the whole economy suffers for lack of productive tools. . . those countries needing to export the most usually end up producing non-competitive products for the world markets.

**Keynesian economics:** John Maynard Keynes, a British economist, was one of the most influential figures in the world during the Great Depression. His ideas on using government spending to combat economic recession contributed to one of the most important advances in modern economics. Keynesian economics relies on the use of government spending to control the economy, calling for overspending with deficits during times of economic depression and underspending with surpluses during times of too-rapid economic growth. Most politicians are easily convinced to use deficit spending to stimulate

the economy, but are decidedly un-Keynesian when it comes to spending during periods of rapid economic growth.

- Liquidity:** Liquidity means a ready supply of funds. In a nation's money supply, liquidity refers to the funds that are injected and drained by the central bank. . .
- Macroeconomics:** Macroeconomics . . . is the study of an economy's aggregate factors such as growth , unemployment, inflation, and government spending . . .
- Monetarism:** The economic theory that is based on the belief that changes in the money supply can be used to control economic growth is called monetarism. Monetarists believe that inflation or example, can best be controlled by reducing the money supply. when the economy appears to be overheating, the central bank can simply reduce the money supply, which increases interest rates and slows down the economy.
- Supply side economics:** Supply side economics is based on the view that producers can stimulate economic growth better than governments as long as they are given enough tax breaks and reduced regulations . . . Supply side economics is meant to provide an alternative to **Demand side economics**, where governments pump money into the economy through generous spending programs.
- Trade Balance:** A country's balance of trade . . . is simply a measure of the total exports and imports of merchandise . . .